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ESTABLISHED 1887

Trade Fears Jolt World Financial Markets

Dollar Slides To New Low Against Yen

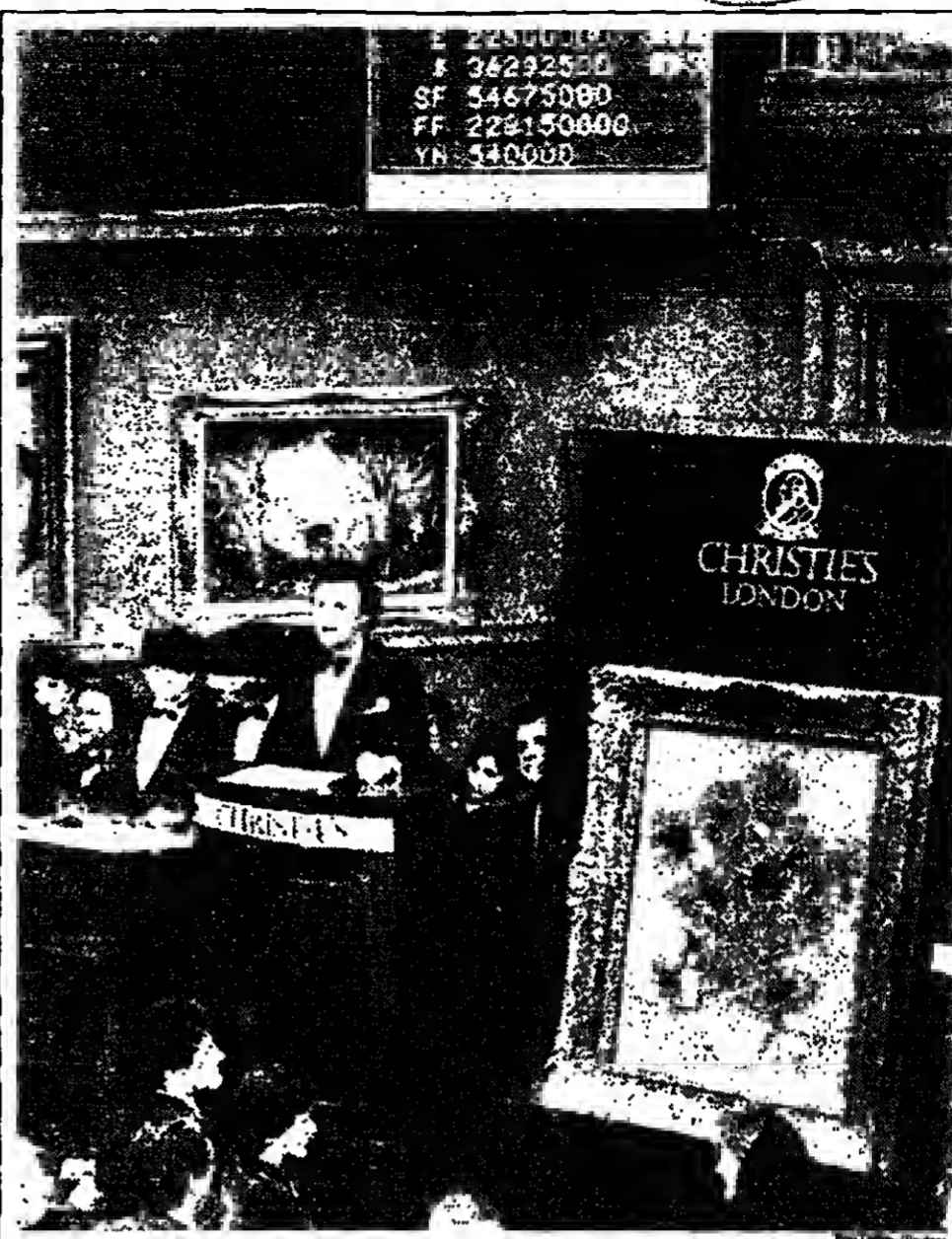
By Ferdinand Procman International Herald Tribune FRANKFURT — The U.S. dollar plunged to another postwar low against the Japanese yen on Monday...



A currency trader in Tokyo on Monday, where the dollar fell below 145 yen to a new low before recovering slightly.

Stocks Fall In N.Y., Tokyo And London

By John Meehan International Herald Tribune NEW YORK — Concern about the dollar and the increasingly strident exchange between Washington and Tokyo over trade drove prices in U.S. stock and credit markets sharply lower in early trading Monday...



Van Gogh Painting Brings an All-Time Record An auctioneer at Christie's of London signaled the sale Monday to an anonymous bidder of Van Gogh's 'Sunflowers' for \$39.92 million...

Paris May Expel Aide Of Soviet

Attaché Expected To Be Implicated In Ariane Spying By Julian Nundy International Herald Tribune PARIS — France plans to expel at least one Soviet diplomat after the discovery of a spy ring that sought information on European space technology...

U.S. Threats on Trade May Alienate Japanese

By Susan Chira New York Times Service TOKYO — The Reagan administration's moves toward trade restriction may spur a Japanese sense of frustration and resentment toward the United States that is already on the rise in some circles here.

On the New York Stock Exchange, the Dow Jones average of 30 industrial stocks plunged 79 points in the first hour of trading, extending Friday's 36.79 point drop.

Islamabad Says Its Jets Shot Down Afghan Warplane Inside Pakistan

ISLAMABAD, Pakistan — Pakistani jet fighters shot down an intruding Afghan warplane Monday over an area where more than 150 people have been killed in Afghan air raids, officials said.

The alleged spy ring, which was broken up two weeks ago, includes two East European women, a Romanian and a Soviet citizen.

The spy ring, operating out of the city of Rouen, about 90 miles (140 kilometers) northwest of Paris, was principally interested in a factory that made some of the motors for Ariane, a French rocket operated by the European Space Agency...

Kiosk Murdoch to Buy Harper & Row

Rupert Murdoch, the communications magnate, has agreed to acquire Harper & Row Publishers Inc. for about \$284 million. The 170-year-old book company has published such authors as Aldous Huxley, Thornton Wilder, John Cheever and E.B. White.

Many in U.S. Label Japan Unfair Trader

By Clyde H. Farnsworth New York Times Service WASHINGTON — Japan is seen by many in Washington as the archetypal unfair trader. The world's second largest economy exports everywhere but is reluctant to open its own markets to foreign products...



A THATCHER CHALLENGE ON NUCLEAR ARMS — Margaret Thatcher, the British prime minister, told Mikhail S. Gorbachev during her speech Monday in Moscow that she would not alter support for the U.S. space-based arms system.

Soviet May Let Jews Go To Israel Via Romania

By Bill Keller New York Times Service MOSCOW — The Soviet Union has agreed that future Jewish emigrants will be sent to Israel by way of Romania, making it more difficult for them to settle in Europe or the United States...

NASA's Explanation

CAPE CANAVERAL, Florida (Reuters) — There are strong indications that lightning knocked an Atlas-Centaur rocket out of control after it was launched on Thursday, forcing flight control to destroy it.

Look Who's Brushing Up on Shakespeare — and in Stratford!

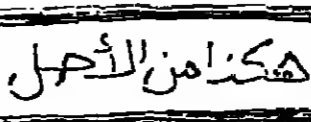
Production of Citroen's "deux chevaux," the car is symbolic of France as a pack of Gauloise cigarettes, is to be shifted to Portugal. Page 17. GENERAL NEWS The U.S. Air Force is studying the possibility of building portable atomic reactors for use during wartime. Page 3.

By Francis X. Clines New York Times Service BRADFORD, England — "Brush up your Shakespeare," two singing gangsters advised the other night on center stage in this careworn northern city. "Just declaim a few lines from O-thel-la and they'll think you're a belhava fella."

That couplet summarizes the plot and breezy allure of Porter's "Kate," a play within a play about the tempestuous backstage romancing and hackneyed on-stage smooching of a band of touring actors in a 1948 tryout in Baltimore of "The Taming of the Shrew."

Israeli officials have pressed the United States to change its immigration policies in deny Soviet Jews refugee status, in hopes that more émigrés would settle in Israel.





Pat Robertson Tacks Away From Television Preachers' Storm

By Wayne King
NASHUA, New Hampshire — The Reverend Pat Robertson, presiding his crusade for the presidency in New Hampshire, has been working hard to keep a distance from the battle enveloping his fellow television evangelists.

At first Mr. Robertson, who despite minuscule poll ratings led the Republican field in early Republican Party tests in Michigan and South Carolina, said the animosity among television evangelists was "a prelude to an accelerating revival."

While Robertson maintains that the fallout from the infighting among the evangelists in no way affects him, political analysts see damage to his campaign.

Biblical Seminary; a holder of an honorary doctor of divinity degree from Oral Roberts University; the founder of the Christian Broadcasting Network, a \$70 million enterprise; the owner of three other stations, bringing in an additional \$30 million a year, and a station in Lebanon on the Israeli border, broadcasting in English and Arabic; founder and chancellor of CBN

University, with 944 students in five graduate programs and a law school, and, "a great candidate for president of the United States." The congregation applauded. Television cameras flanked the pulpit, their lights bathing the choir.

That view, coupled with strong anti-Communism, have drawn fervent support among evangelical Christians. He maintains that the primary goal of American foreign policy should be not containing Communism but eradicating it.



Pat Robertson campaigning in Rochester, New Hampshire.

U.S. Studying Portable Reactors For Backup Power in Nuclear War

By Richard Halloran
WASHINGTON — The U.S. Air Force is exploring the possibility of building several hundred small nuclear reactors that would generate electrical power in a protracted nuclear war, according to a report by the Department of Energy, congressional and industry officials.

small nuclear reactors as one viable option which could satisfy our needs and proposed to assist us in the evaluation of this potential." The dimensions and weight of the reactors, the nature of the containers that would be used for transporting them, and other safety factors have not yet been decided.

from gyroscopes aboard ballistic missiles standing ready in silos to support sites for bombers armed with nuclear bombs or cruise missiles.

Pinochet Foes Hope for Papal Advocacy

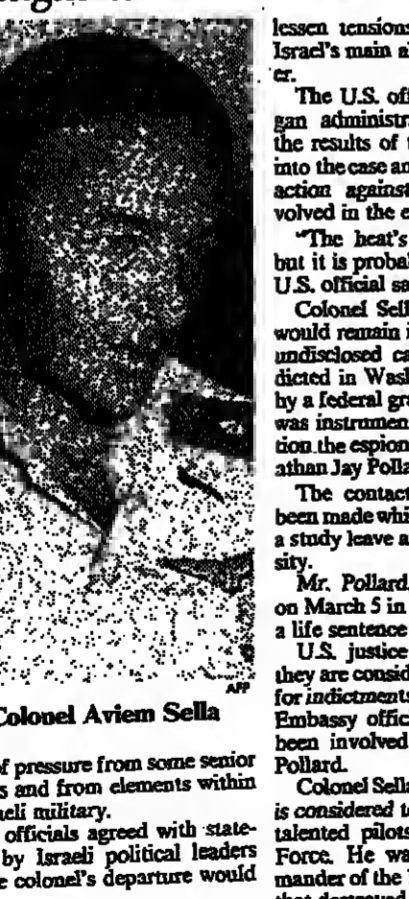
By Juan de Onis
SANTIAGO — Pope John Paul II leaves Tuesday for a trip to three Latin American countries, including Chile, where his visit will test the Roman Catholic Church's position to the repressive military regime of President Augusto Pinochet.

Chile needs a free election with guarantees for opposition parties of a fair vote.

former President Jean-Claude Duvalier or in Nicaragua under the Sandinistas.

'Helpful Step' in the Pollard Affair

But U.S. Says Israeli's Resignation Won't Close Case
Compiled by Our Staff From Dispatches
TEL AVIV — Israeli and American leaders welcomed on Monday the resignation of an Israeli Air Force colonel implicated in the Pollard spy case, but U.S. officials said that Washington did not regard the affair as closed.



Colonel Aviem Sella

Colonel Aviem Sella, who was indicted in the United States this month on charges of recruiting a U.S. Navy intelligence analyst to spy for Israel, resigned Sunday as commander of the Tel Aviv air base after only three weeks in the post.

Ex-Censor Quits Party in South Africa

JOHANNESBURG — Louis Nel, the government official who was in charge of enforcing censorship in South Africa during the height of racial strife last year, said Monday that he would not be a candidate in the whites-only election for Parliament on May 6.

General Pinochet, who is a Roman Catholic and goes to church services, has avoided a break with the church, but he is often sharply critical of the bishops here.

Spanish Civil War Victims Beatified

Elevation of 3 Nuns Could Revive Church-Left Hostility
By John Tagliabue
ROME — In a move that could revive old antagonisms in Spain, Pope John Paul II has beatified five persons, three of them Carmelite nuns executed in one of the most vicious phases of the Spanish Civil War.

Dutch Minister Urges Talks By EC on AIDS Entry Tests

THE HAGUE — Justice Minister Frederik Kortals Altes of the Netherlands has called for a conference of the 12 nations of the European Community to discuss AIDS tests for non-EC nationals arriving at EC borders and ports of entry.

advocate tests for acquired immune deficiency syndrome, which undermines the body's natural ability to combat disease. He said that although Dutch authorities are allowed by law to administer AIDS tests to foreigners entering the Netherlands, this country "is too small to go alone."

Court to Review Falwell's Award

WASHINGTON — The Supreme Court said Monday that it would consider overturning a \$200,000 award won by the Reverend Jerry Falwell against Hustler magazine and its publisher, Larry Flynt.

Swedes Confirm Illegal Arms Shipments to Mideast

By Juris Kaza
STOCKHOLM — Officials of Nobel Industries confirmed Monday that an armaments subsidiary was involved in illegal arms sales and gave details of extensive smuggling of weapons, ammunition and explosives to the Middle East and other destinations blacklisted by the government.

fors, Claes Ulrick Winberg, had resigned from the board.

But he said that he knew of no evidence that Swedish government officials knew of or had sanctioned the illegal weapons transactions.

Walter Abel, American Actor, Dies

NEW YORK (NYT) — Martin Provensen, 70, a director of children's books, died Friday of a heart attack in Clinton Corners, New York.

Other deaths: Mario Formenton, 58, president of Mondadori, one of Italy's largest publishing groups, over the weekend of a liver tumor in a Paris hospital. Mondadori announced Monday.

IRA Kills Soldier in Belfast

BELFAST — A British soldier was killed and three others wounded Monday near central Belfast in a bomb or rocket attack by Irish guerrillas on an army patrol.

Trade Has Its Rules

The White House declaration of a chip war with Japan is an unhappy event, but something like it was inevitable. The Japanese assault on the world market for semiconductors and integrated circuits has raised too great a threat to the American producers in an industry that the United States, like Japan, regards as crucial.

Afghan Pressure Policy

It is not hard to guess why Soviet planes flown by Afghan pilots are striking across the border at Pakistan. The aim is intimidation. By raising the stakes in its eight-year-old war in Afghanistan, Moscow hopes to impel Pakistan to accept its peace terms.

Pay College Athletes

Provoked by the football scandal at Southern Methodist University, his alma mater, Representative John Bryant of Texas has introduced legislation to cut off all federal funds to colleges that make under-the-table payments to athletes.

Other Comment

Chips War: A Bad Example

If the multilateral trading system enshrined in the General Agreement on Tariffs and Trade is to survive, it needs the wholehearted commitment of the United States.

open up Japan's domestic market to U.S. suppliers. That agreement was itself of doubtful legality under GATT rules; the European Community is challenging it. Last week's decision is even more dangerous.

Post-Pollard: A Senator Helps the Wound to Fester

WASHINGTON — Senator David Durenberger of Minnesota, until recently the Republican chairman of the Senate Intelligence Committee, called to set up a breakfast date last week. Fine with me. I had heard he was a nice guy, maybe a little flaky, and I assumed that he wanted to explain his recent gaffe.

By William Safire

U.S. senators have been censured by the Senate. The last was Joseph McCarthy in 1954, although the verb chosen in that case was "condemned."

investigation requires an intelligence committee study, with administration cooperation, of policy study, with administration cooperation, of policy study, with administration cooperation, of policy study.

A Statesman Is Needed For Greece

By Flora Lewis

LOS ANGELES — Prime Minister Andreas Papandreu of Greece has been edging up to the brink for years. He has been stirring nationalist feeling against Turkey, an easy task, and against the United States, which is a little harder but popular on the left.

Yes, Henry, Trimming Warhead Totals Can Help

By Edmund S. Muskie

Former Senator Muskie was secretary of state from May 1980 to January 1981.

WASHINGTON — For some years now, those who urged us to enter the world of MIRV have assailed the drastic increases in nuclear weaponry spawned by the ill-considered technological innovations that they endorsed.

That is the wrong question. It makes little sense to think of these destructive capabilities only in narrow military terms. Even with 6,000 warheads each, the Soviet Union and the United States will retain physical power beyond imagining.

lawful reading of the treaty is the one on which the Senate based its approval. If the executive branch wishes to reverse interpretations, the treaty itself provides for negotiated amendments to be considered by the Senate.



Simple but True: We Agree to What We Asked For

By Kenneth L. Adelman

The writer is director of the U.S. Arms Control and Disarmament Agency.

WASHINGTON — For six years, critics have often blamed slow progress in arms control negotiations on intransigent "hard-liners" within the Reagan administration. This position was not only wrong (since Soviet intransigence has always been the problem) but had a fatal flaw.

According to Mr. Krauthammer's categories, are Prime Minister Margaret Thatcher and NATO's secretary-general, Lord Carrington — both of whom, like other European leaders, speak in favor of this stance — "Atlanticists" or "unilateralists"?

question is no longer whether the Reagan administration is serious about arms control. That has been established. The question is whether the Soviet Union is going to be serious about glasnost when it comes to arms control and agree to the verification measures necessary to make an INF agreement meaningful.

INTERNATIONAL HERALD TRIBUNE

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IN OUR PAGES, 75 AND 50 YEARS AGO

1912: U.S. Primaries

NEW YORK — Theodore Roosevelt's defeat in the New York primaries and in Indiana, Colorado and Mississippi made this a sad week for his campaign managers, who are now seeking to induce him to withdraw from the fight.

1937: Gandhi Warns

DELHI — Indian minority party leaders are now attempting to form governments in all the six provinces in which Mahatma Gandhi's Congress party obtained a clear majority to refuse to assume the responsibility of governing on the grounds that the league had a clear field for action.

CURRENCY DOLLAR BRUSSEL

OPINION

Look Here, She Could Say, Don't Call Me First Madam

By A.M. Rosenthal

WASHINGTON — Right at the start, perhaps on Inauguration Day, the next first lady of the United States should ask government officials, press, television, diplomats and the whole country never to call her that. It is high time. The whole first lady business is a piece of creaky condescension. No other country is so disrespectful of the worth of a woman as to give her such fawning attention and mock-royal status because she married a man who was later elected to high office.

That's Sexist Drivel

WHO does Nancy Reagan think she is? According to detractors, she is a power-hungry meddler whose apparently decisive role in ousting chief of staff Donald Regan made the president look like a wimp. That's sexist drivel. Whatever her reasons for wanting Don Regan out, her instincts were proved right by the Tower commission report.

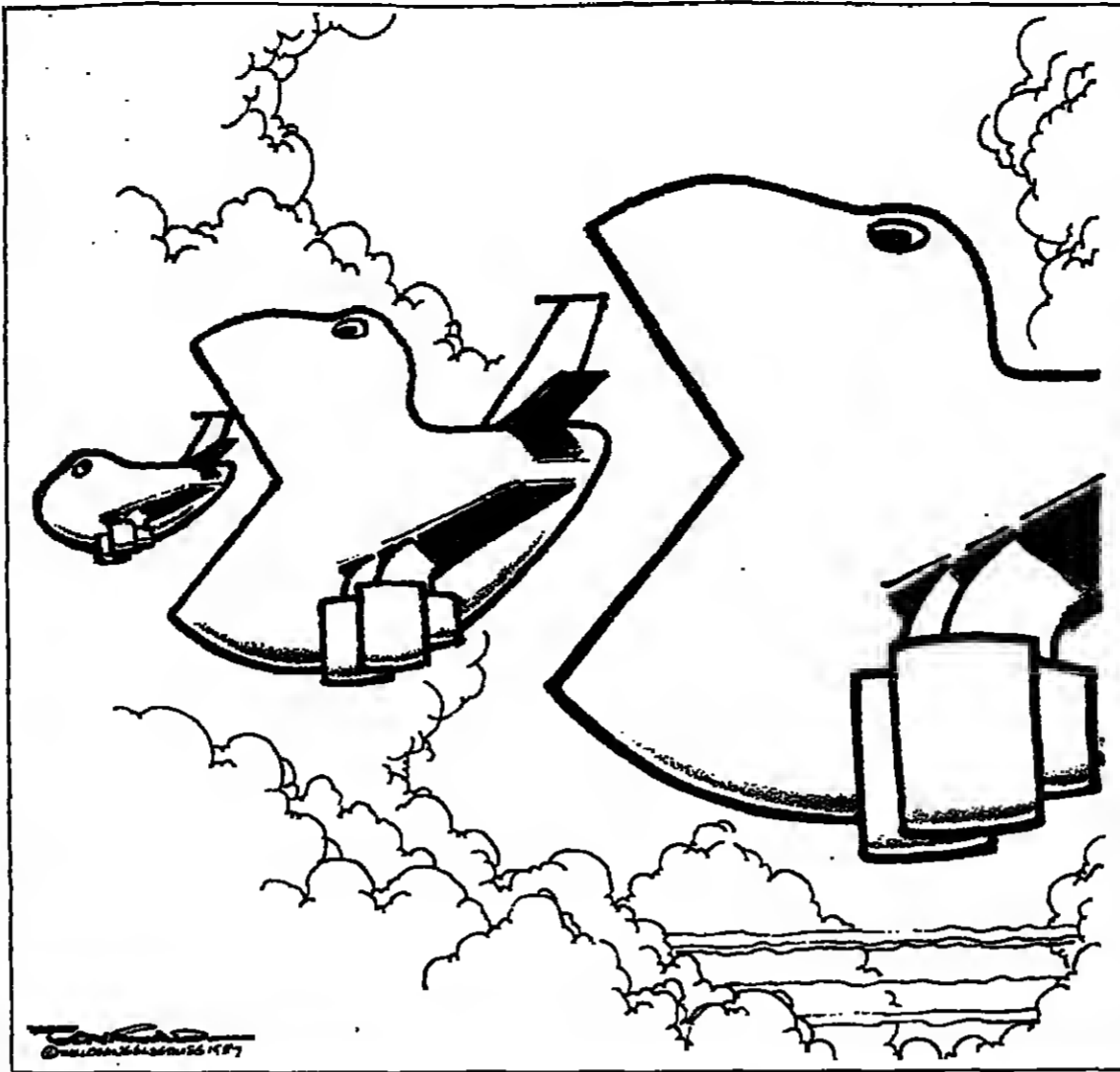
will admire her for it and make that clear to television and newspapers. If Senator Robert Dole is smart enough to make sure that Elizabeth Dole, who was good enough to be a cabinet member under his predecessor, is allowed to find a responsible job. Wife-potential? Only if you feel that every woman has to give up her career because her husband has power. Obviously, if it is a government job it should be one of public accountability.

ON MY MIND

Denise Thatcher would never permit such indignity and neither, if that day arrives, would Evron Kirkpatrick. Simply raising the possibility of a first gentleman shows what an insult to women the phrase did not become widely used until 1911, when a play about Dolley Madison called "The First Lady of the Land" opened. With time, the name became more and more embarrassing.

Women who decided when they were young that raising a family was more important to them than being a lawyer deserve the respect of individuality too, not the false kowtowing to a false title. Many would have interests in the home, or child care, or refugees, where there is a whole world of volunteerism awaiting. And the wife of the president could show that being a volunteer means more than making an occasional speech or posing for photographs. Like many volunteers, she would work hard, with the regularity that distinguishes the volunteer from the dilettante.

So, on a volunteer basis, here is the announcement that the wife of the next president should make: "Friends, call me Mrs. or call me Ms. Call me doctor or call me counselor. Call me gentle or call me tough. But don't pat my head and don't call me first lady."



Air Today, Gone Tomorrow, But It's Always Roy Cooper

By Ben Kamin

CLEVELAND — Not long ago, I presented myself to an agent at the New York Air counter. This was hardly unusual, since my plane ticket was tucked inside a bright-red folder marked "New York Air."

MEANWHILE

on? Solemnly be answered, "Sir, there is no such thing as New York Air." My caution had not been misplaced. I had heard something about mergers and takeovers. But the gravity with which the agent had vaporized New York Air concerned me. "Is there," I asked, "a New York City?" He allowed there was.

Plus, you used to get dressed up, board a plane with delightful nervousness and be asked if this was your first time by an interested, or at least animated, flight attendant. Now even the attendants seem uncertain about the identity of their employers. Seasoned travelers know not to ask a living soul which plane is going to turn up in what landing space. They consult the monitor.

LETTERS TO THE EDITOR

The Pace Is Picking Up

Your editorial "Europe of the Snails" (March 24), published the day before the European Community's 30th anniversary, is too pessimistic. The advent of the Single Act to achieve an integrated European economy by 1992, and of qualified majority voting by the EC Council of Ministers on all matters concerning our 320-million-member community, is imminent. This must surely provide the turbulence necessary to increase the snail's pace you criticize.

responsible for the massacre at the Sabra and Chatila refugee camps in 1982. Identifying him more fully provides a better perspective on the Pollard affair. Would a retired general, a former chief of staff, run a "rogue operation" from within the Israeli Defense Ministry without the knowledge or encouragement of the very top of the Israeli government? And would such a man operate a unit which had only one spy?

What I know about Governor Mario Cuomo of New York shows him to be not only a brilliant politician and administrator but also a compassionate man, capable of morality without dogmatism. He has the stuff to make a great president — precisely what America, and the world, needs.

If there is any country in which the death penalty can be applied fairly, one would expect it to be there, yet it seems to have been amply demonstrated that this is not the case. This total and irreversible punishment strikes only 2 to 3 percent of convicted murderers, and those unlucky few are overwhelmingly among the poor and the minorities.

Literacy Isn't So Simple The editorial "For Rebirth at UNESCO" (March 18) sees a very rudimentary role for UNESCO. Literacy campaigns have long been an obvious development activity of the organization. One lesson has been the need for a sector-wide approach within a broad strategy of institutional development related to a country's assistance requirements.

Not Missing in Action

Time after time, in articles referring to the hostages in the Middle East, I read that so-and-so was "captured." As I see this heinous crime, it is "abducted" or "kidnapped." The victims are not soldiers.

What About the World? After reading A.M. Rosenthal's "One Question for Cuomo: What About the Country?" (Feb. 27), I would add, as a

Some Americans may feel perplexed that Amnesty International, as you reported on Feb. 20, is drawing attention to the 1,836 inmates on U.S. death rows at the end of 1986. Why, when so many atrocities are committed in other countries on so large a scale? Perhaps it is because the United States is where the individual is best protected against the state by legal guarantees and vociferous pressure groups, and where freedom of speech ensures that sooner or later so much comes to light.

I agree with William S. Crain (Letters, Feb. 17) about how irritating cigarette smoke is to nonsmokers. The other day on the vaporetto a man left a lit cigar on the railing next to me. As soon as he went inside the cabin I chucked it into the lagoon: instant sweet revenge.

Starting the Day With Dan Thanks are due to France's Canal Plus for bringing us the daily rebroadcast of Dan Rather's "CBS Evening News." It's a great way to start the day.

ARTS / LEISURE

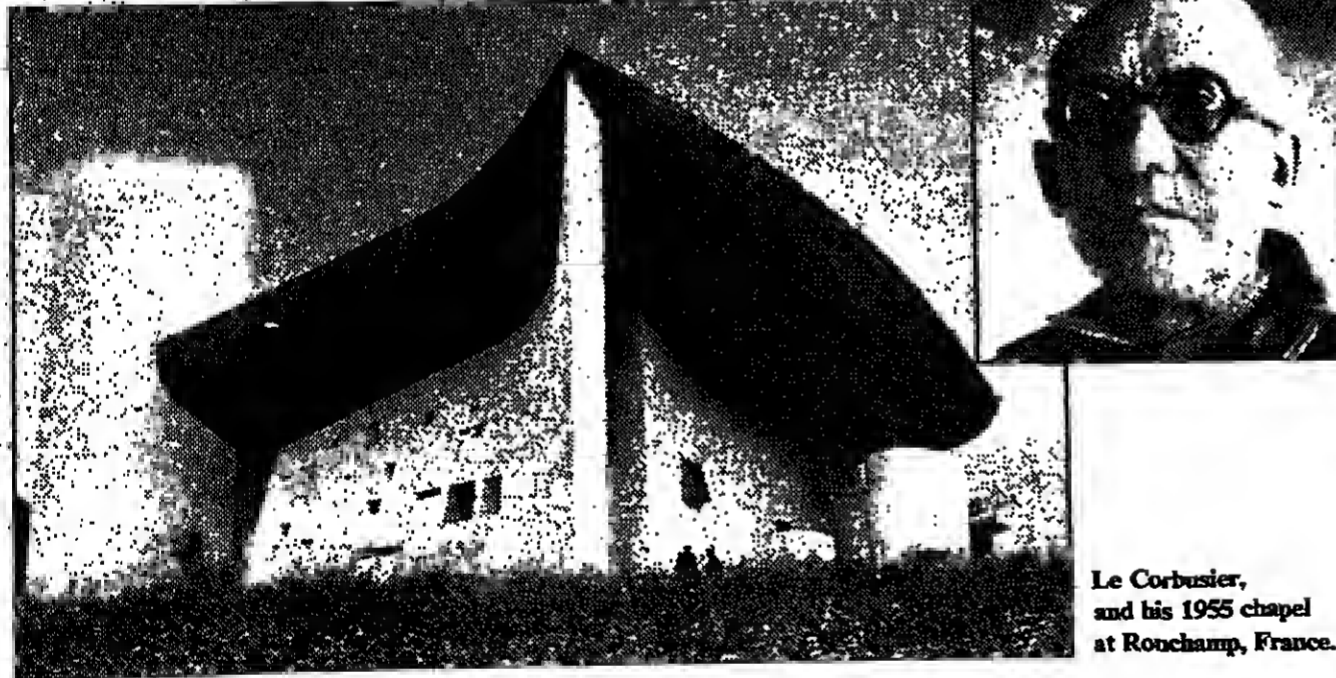
The Can Man's Synthesis

By Mike Zwerin

PARIS — Irmin Schmidt, a founding father of the group Can and the synthesizer-orientated "Kraut Rock" school which emerged with it, says he's fed up with synthesizers. "I'm quite happy to be playing my Steinway again. I've always been a late 19th century man at heart."



Irmin Schmidt: Back at his Steinway.



Le Corbusier, and his 1955 chapel at Ronchamp, France.

Le Corbusier the Masterbuilder

By Paul Goldberger

LONDON — Le Corbusier never built a building in England. Yet his influence in this country far exceeded that in France, where he lived for most of his adult life. Far more than any English architect, Le Corbusier shaped postwar English architecture. So it is fitting that in this centennial year of his birth it is here that the most impressive celebration is being mounted.

both the architect and the exhibition are on more comfortable ground, presenting material that seems, as this century draws to a close, to be of growing importance. The first section, entitled "Six Houses," includes several houses that are unquestionably among the great works of the century: the Villa Stein and the Villa Savoy, the monuments of Le Corbusier's purist, white architecture period from the late 1920s, and the Maisons Jaoul, the twin houses from the early 1950s of rough-hewn masonry and vaulted concrete ceilings that inspired a generation of "brutalist" buildings in England and elsewhere.

This section opens, however, with a surprise, a little-known house that Le Corbusier designed in 1907 in Switzerland. It was provincial in tone, with a vague air of the Arts and Crafts movement to it, and it is almost sweet. It is only with the next house, the Villa Schwob of 1917, that the great power we associate with Le Corbusier began to assert itself.

There could be no better final word, not only for this building but for all of Le Corbusier's career. His architecture was a profound exploration of form and space and light, as deep and mystical, in its way, as any religious quest. His utopian polemics about modern architecture mean less and less as time goes on, and we are left just with his buildings. They were masterworks of this century, and at his centennial, the Hayward Gallery has done them honor.

DOONESBURY



BUSINESS ROU...
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NYSE Most Actives table with columns for stock symbols, volume, high, low, last, and change.

Market Sales table showing volume for NYSE, AMEX, and NASDAQ.

NYSE Index table showing previous, low, and today's closing values.

Monday's NYSE Closing logo with 'Via The Associated Press' text.

AMEX Diary table listing various market activities and their prices.

NASDAQ Index table showing various market indices and their values.

AMEX Most Actives table listing top active stocks on the AMEX.

Dow Jones Bond Averages table showing bond market performance.

NYSE Diary table listing daily market events and their times.

Odd-Lot Trading in N.Y. table showing odd-lot trading statistics.

Dow Jones Averages table showing the performance of major market averages.

Standard & Poor's Index table showing S&P 500 index performance.

NASDAQ Diary table listing daily market activities on the NASDAQ.

AMEX Stock Index table showing AMEX stock index performance.

To Our Readers

Because of the seven-hour time difference between New York and Paris until April 5...

MARKET: Dow Off 57.39 After Panic Selling

(Continued from Page 1)
lengthy correction. Instead, many observers breathed a sigh of relief at the downturn. Stock prices have been setting a record pace since the start of the year, periodically leaving analysts at a loss to explain a resiliant rally in the face of poor fundamentals...

Small table with columns for market data, possibly related to the 'To Our Readers' section.

Table of stock market data, including columns for stock symbols, prices, and changes.

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IBM followed, ahead after recovering from earlier losses. AT&T was third, off 3 P.M., off slightly in its third day of trading. Harper & Row jumped 3/4 to 6 3/4 after Rupert Murdoch's News Corp. announced an agreement to buy the publisher for \$65 a share...

Other blue chips were mostly lower. General Electric, General Motors, Coca-Cola and Philip Morris all were losing. USX was up. Other technology and semiconductor issues were mostly falling. Digital Equipment, Cray Research, Motorola, National Semiconductor and Unisys were lower. Texas Instruments was the exception, up.

Most oil issues were lower. Occidental Petroleum, Texaco, Exxon, Mobil and Chevron were falling. Phillips Petroleum was unchanged, after recovering from an earlier loss. Squibb, Schering-Plough, Eli Lilly, Baxter Travenol and Johnson & Johnson were off.

On the American Stock Exchange, Texas Air led the actives, followed by Wickes and Wang Laboratories class B. All were lower.

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Advertisement for Business Roundtable, featuring 'wedish Ma...' and other text.

# West Germany: Reluctant Giant

## IN THE NEWS

**Jan. 1: Birthday Boycott**  
The 750th anniversary of Berlin begins amid Allied concern over the year's scheduled celebrations. The United States, Britain and France boycott East Germany's anniversary and express concern about a possible visit by West Berlin's mayor to East Berlin on Oct. 23.

**Jan. 20: Beirut Kidnapping Linked to Terror Suspect**  
The government announces that the kidnapping of two West Germans in Beirut is linked to the case of a suspected Lebanese terrorist arrested at the Frankfurt airport on Jan. 13. Reports say that the pro-Iranian Shiite group Hezbollah had demanded the release of Mohammed Ali Hamadei, sought by the United States for alleged participation in the hijacking in 1985 of a Trans World Airlines jet and the murder of an American passenger.

**Jan. 25: Kohl Wins Again**  
Chancellor Helmut Kohl's center-right coalition wins a parliamentary majority, renewing its mandate for four years. But Mr. Kohl's Christian Democrats and their Bavarian sister party, the Christian Social Union, made their weakest showing since 1949.

**Feb. 22: Bonn Responds To Group of Seven**  
At the Group of Seven meeting in Paris, Bonn promises to increase a planned \$5.5 billion tax cut, scheduled for Jan. 1, 1988, in order to stimulate demand by West German consumers and businesses for imports.

**March 18: Kohl Makes Opening to Soviets**  
In a speech to Parliament outlining the program of his center-right coalition for the next four years, Chancellor Helmut Kohl calls for closer ties with the Soviet Union. The West German diplomatic opening toward the Soviet Union includes seeking increased economic ties and more interchanges with East Germany.

**March 23: Brandt Resigns**  
Willy Brandt, former West German chancellor, resigns as chairman of the opposition Social Democratic Party, following dissent over his decision to appoint a 30-year-old Greek woman as the party's spokeswoman.

**March 24: Bonn Bombing**  
A bomb explodes outside a British officers' club in Bonn injuring 31 persons. The explosion came a few hours after Prime Minister Margaret Thatcher had concluded talks with Mr. Kohl.

## IN THIS REPORT

**French Connection 8**  
Union is no longer an exaggerated term to describe the relationship between France and West Germany, but the French are more aware of this than are the West Germans.

**Debating the Past 9**  
After a history of traumatic experiences, West Germans turn to their historians to provide a sense of where they come from — and where they are going.

**Merger Mania 10**  
The temptation to build corporate empires seems to be stirring again after a long postwar dormancy.

**Washington View 12**  
Washington's relationship with Bonn will not be totally trouble-free, but differences are susceptible to compromise.

**A Sporting War 16**  
While Adidas and Puma battle for position, West Germany's sports shoe industry faces formidable challenges abroad.

## Leadership at Issue

# New Pressures Blur Image of Solidity

By Henry Tanner

**B**ONN — The citizens in the streets, restaurants and stores of West Germany cities exude an air of affluence — good clothes, rich food, expensive cars — unmatched by any of their neighbors except perhaps the Swiss. Helmut Kohl, the chancellor, big and smiling in his public appearances, is the picture of implacable political solidity. The concert halls and theaters of Frankfurt and Berlin are sold out every night and art exhibits crowded. The only performers that have trouble getting heard are the politicians.

The questions and issues facing the Federal Republic in the spring of 1987 are neither obvious nor easily defined. There is no central theme that would inspire a great national debate. And if there are any demonstrations of public emotion, they are likely to be local marches of protesting farmers or metalworkers.

For a government that has just won its second successive national election — and is virtually assured of winning the next one, four years hence — Mr. Kohl's center-right coalition is having a difficult time. The chancellor's capacity for leadership is being questioned by newspapers that are his staunch supporters, such as the Frankfurter Allgemeine Zeitung. He is described by fellow politicians as a master tactician concerned with consolidating his power in his party and assuring the management of government affairs but lacking the vision of a statesman.

Critics say that the new government program, which was pieced together during several weeks of often fractious negotiations between his Christian Democratic Union, its Bavarian sister party led by Franz Josef Strauss and the Free Democrats, reflects the lowest common denominator and cannot possibly be a platform for effective action in the field of social and economic policy.

There is a perception that the central power in Bonn is being eroded. "A whiff of ungovernability is wafting across the country," wrote Dieter Schürder, the editor in chief of the respected Süddeutsche Zeitung. He cited the decline of the two dominant parties, the Christian Democrats and the Social Democrats, and the way economic pressure groups and powerful state leaders, like Mr. Strauss and, in Baden-Württemberg, Lothar Spöth, are exploiting the federalist structure of the country to have things their way.

The three-party system, one of the main pillars of political stability since the war, may have come in an end with the January elections. It is making room for a four-party system that may eventually become a multi-party system.

The Greens, until recently a loose alliance of militants of many kinds operating on the fringes of the political scene, are now the established fourth party. Clearly, they are here to stay. They won just over 8 percent of the vote in January and may do better next time.

This means the end of the cozy arrangement under which the Christian Democrats and the Social Democrats, each usually commanding 40 percent or more of the electorate, could be trusted to take turns in office as their election scores shifted within narrow margins and the Free Democrats, the much smaller third party, threw their weight alternately to one or the other. In January, the Christian Democrats and the Social Democrats both had their worst results in decades.

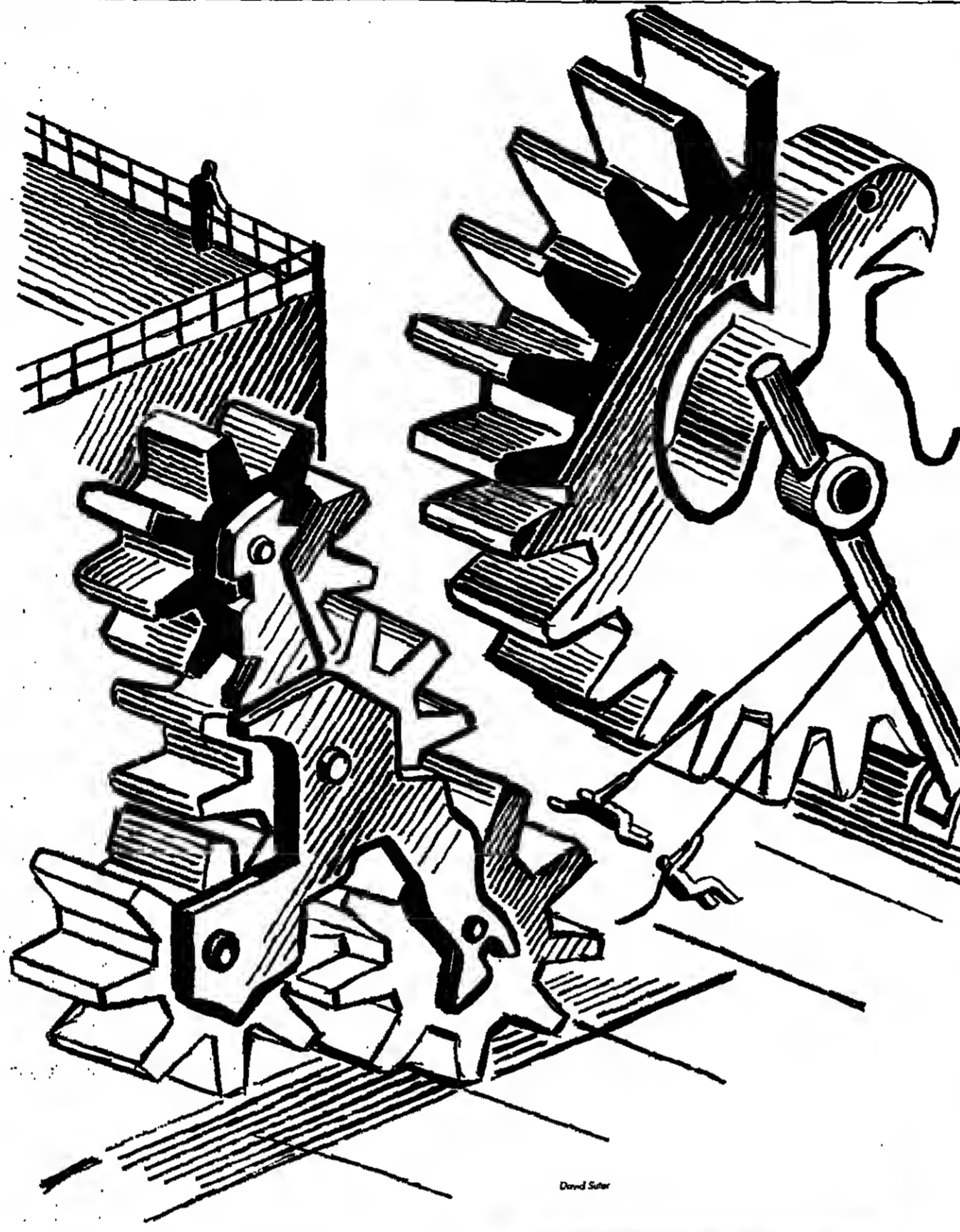
The Social Democrats are going through one of their deepest crises ever. They are unlikely to recover for several years. A party official conceded that their objective now is not to win the next election, but the one after that, probably in 1994. "They are in danger of becoming a 30-percent party," said an editor.

Their crisis has many reasons beyond the rise of the Greens. They have not been able to resolve a bitter internal conflict over the basic course that a leftist working-class party should steer in the "middle" of Europe, in the nuclear age and at a time of rapid change in a modern industrial society. The abrupt exit of Willy Brandt, the last of the old generation of headstrong historical figures, has been a crowning blow. His successor as party president, Hans-Jochen Vogel, is a caretaker. The succession struggle remains unresolved.

The national leadership of the established parties is being challenged also in the provinces. Five of the republic's 10 Länder will elect new state governments during the next five months. In each of them the same party has been in power since the war, the Social Democrats in three, the Christian Democrats in the others. Now, a changing of the guard is possible in three of the five. The Social Democrats are in difficulty in Hesse and Hamburg and the Christian Democrats in Schleswig-Holstein, and journalists specializing in regional politics say these races are too close to be called now.

In question is the general rule that power in the federal states remains in the same hands even when control over the central

Continued on page 8



David Sizer

# EC's Complaint: High-Tech Bonn Won't Share

By Peter Maass

**B**RUSSELS — Heinz Reisenhuber, the West German minister for research and technology, recently tried to ease concerns in the European Community over Bonn's unsteady support for EC research programs. At a meeting of community ministers, Mr. Reisenhuber reportedly assured his colleagues that West Germany was willing to share its technological know-how with other EC nations.

However, the assurances backfired. Instead of restoring confidence in Bonn's *communautaire* spirit, the speech was apparently interpreted as being patronizing and condescending toward the community's smaller and poorer members, who are not as technologically advanced.

"It was the most arrogant thing I've ever heard come from a German," commented one EC official who attended the closed-door meeting.

When it comes to cooperative research, West Germany is unable to please anyone these days. The EC's strongest member, in economic terms, is under attack for being a reluctant and sometimes arrogant partner in research programs billed as the linchpin of sharpening the community's standing in world markets.

Unlike many EC quarrels, this controversy touches on a fundamental aspect of the community: the readiness of a member state to share its resources with others, so that all can benefit. Without this cooperative spirit, the theory goes, the community will fall far short of its lofty aims.

A certain duality exists in gauging the participation of West Germany in EC research programs. On the one hand, West German companies and universities are said to be anxious to join in some EC programs. But on the other hand, the Bonn government does little to encourage this cooperative attitude — and may even discourage it.

As a sign of how bad things have become, EC Commission President Jacques Delors recently voiced deep concern over an apparent lack of German support for industrial research. EC Industry Commissioner Karl-Heinz Narjes has also written several letters to authorities in Bonn, pleading for more backing of joint research, sources say.

"He felt that German organizations are not participating to the extent that they could, particularly in Esprit," one commission official said. "There is a problem." Esprit is the largest EC research program, focusing on information technology.

From the West German point of view, though, the problem is that EC research programs, which cost about 1 billion European Currency Units (\$877 million) a year, may pay for research already being subsidized by national authorities. Also, German officials say that some EC programs simply pay for research that companies were doing anyway.

And on an ideological level, Bonn appears hostile to letting the EC influence the agenda for industrial research. "Industry has to decide for itself what research needs to be done," said a West German diplomat in Brussels. "Governments should only play a supplementary role."

Of course, West Germany is not the only EC member with doubts about the value of community research programs. Britain and France, along with West Germany, have fought the EC Commission's call for 7.7 billion ECUs to be spent on joint research in the next five years.

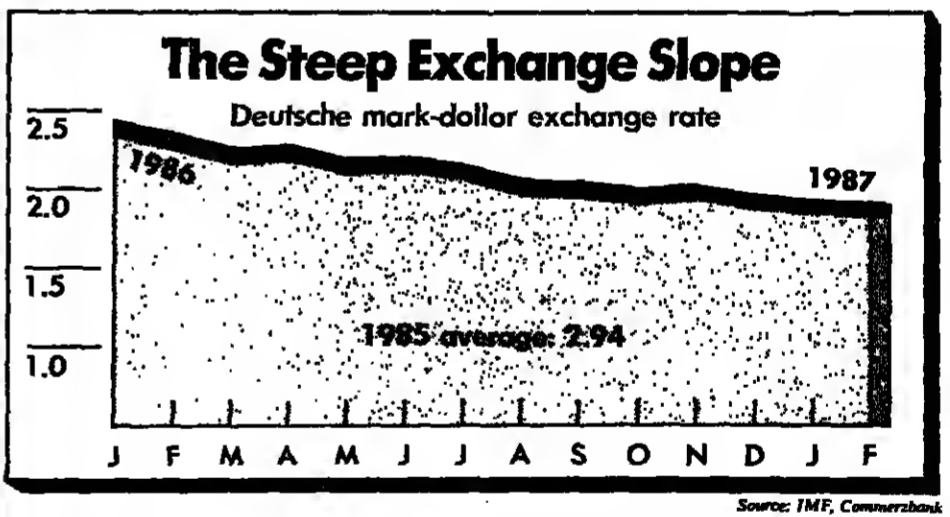
Nonetheless, the attention in the community has focused on West Germany, mainly because Bonn has so much to offer but is alarmingly reluctant to put its weight behind cooperative research. In addition, Bonn's underlying stance goes against the EC ethic of pooling resources, an ethic that German authorities say they support.

"We are seeing a return to nationalistic viewpoints in research, and the

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John Cooper/Herald



The road chosen by Chancellor Helmut Kohl's coalition will have an effect throughout Western Europe.

# Economy Is Caught in Social Net

By Ferdinand Protzman

**F**RANKFURT — The West German economy is at a crossroads. The path of moderate growth based on tightly checked inflation, which the government has followed since 1982, has reached a point where efforts to promote further expansion begin to conflict with the political realities of a welfare state.

With economic growth currently faltering, steps to revive the economy must be measured against their impact on the nation's vast social net. The road chosen by Chancellor Helmut Kohl's recently re-elected, center-right coalition government will have an effect throughout Western Europe, where West Germany's economy is the strongest.

West Germany's gross national product, the broadest measure of economic performance, registered no growth in the final quarter of 1986, according to provisional figures released recently by the Federal Statistics Office. Rising domestic demand compensated for lower exports, but was insufficient to spark growth. For the year, GNP grew by 2.4 percent, compared with 2.5 percent in 1985.

The scenario has not brightened much thus far in 1987. The Economics Ministry says first quarter GNP may be relatively weak, while private economists are predicting stagnation or possibly contraction. The government's forecast of 2.5 percent GNP growth for the year looks increasingly unachievable, and many experts have cut their predictions to between 1 percent and 2 percent growth, from original estimates of 3 percent.

Few experts dispute the need for economic stimulation, although they are divided on how to achieve it. The government is betting on strong domestic demand to counter a falloff in exports caused by the dollar's steep drop against the Deutsche mark. Some private economists say more significant structural changes, such as genuine tax reform or changes in the social welfare system, may be necessary.

Any moves in the direction of limiting the government's role in funding the social net will face stiff opposition from special interests, such as agricultural and industrial groups, many of which rely on federal subsidies. Attempts to alter pension funding or other social systems risk alienating broad sections of society, and could have severe political consequences.

Agriculture Minister Ignaz Kiechle summarized the situation in a recent interview, when he said, "Simply reducing agricultural subsidies does not take into account the need for social understanding."

For the government, taking the needs of various groups into account, while promoting growth, is likely to be very difficult, given current economic conditions.

Even experts forecasting better-than-expected growth for 1987, are hardly optimistic.

"I think we'll see 3 percent GNP growth in 1987, for all the wrong reasons," said Klaus-Werner Schatz of the Institute for Global Economy in Kiel, one of the nation's leading economic research groups. "The growth will come from much higher domestic demand fueled by a rapid expansion of the money

supply. Policies of excessive or uncontrolled money supply growth, which the major industrial nations appear to be following, could lead to recession by the end of 1988."

Such a prediction, which would have been scoffed at by government policymakers a few months ago, is indicative of the changing mood in West Germany. The optimism that accompanied growth without inflation is giving way to concern about the future and recalcitance by groups who feel threatened.

As recently as late 1986, the mood was brighter. Mr. Kohl's government had followed, with some success, a policy of steady economic growth, based on price stability and closely controlled monetary expansion. The chancellor's Christian Democratic Union made economics the cornerstone of its election campaign, plastering the country with posters showing a thumbs-up sign and the words, "Carry on, Germany!"

But economists say much of the past success came more from simple good fortune than the government's policies. West Germany had deflation of 0.2 percent in 1986 and inflation of 2.2 percent in 1985, but this was due largely to the collapse of global crude oil prices during 1986. Most analysts predict inflation of about 2 percent in 1987.

The decline in inflation, combined with mild wage increases over the past few years and a cut in personal income taxes that went into effect in January 1986,

Continued on page 11

# Pressures Blur Image Of Solidity

Continued from page 7

government changes in Bonn. This rule, in addition to the three-party system, has been a major pillar of political stability.

The first test will be in Hesse, which votes on Sunday. The local Social Democrats and Greens had formed the country's first red-green coalition and intend to renew it.

Economically, "1987 will be a year of great difficulty," according to an economist, reflecting the judgment of many of his colleagues. The economy is resilient and has great reserves of strength but economic growth will remain below expectations and unemployment, insufficiently slowed down by the recent tax cuts, is likely to grow again, he said.

Officials in Bonn speak with some vehemence of what they see as American and West European demands that West Germany "take the responsibility, single-handedly, for turning the world economy around."

They feel "beleaguered by these pressures," one official said.

A leading Christian Democrat expressed the intensity of emotions that this quarrel has touched off. West Germany, he said, will not give in to the American demands for greater growth because these demands make no sense.

"Our capabilities are limited; even if we were able to increase growth by, say, one percent, which we are not, it would have no real impact on the American economy." The government has forecast a growth rate of 2.5 percent, which is widely regarded as overly optimistic.

As for European Community demands for lower farm prices, "they are a poisonous prescription which would kill the German family farm," he said. Reflecting the depth of the contrast between the opposing perceptions, a foreign diplomat in Bonn referred to German family farms as "the most sacred of their sacred cows."

Another diplomat argued that West German politicians and business people had "become so obsessively concerned with stability that they are afraid of growth and prefer high unemployment, which they can afford because their welfare net is highly developed."

"There are tensions, but we do not want a trade war, which would weigh more heavily on our relations with our allies than any other conceivable issue, including disagreement on nuclear policy," a German official said. "A trade war would stir the emotions of West Germans far more than a hundred warheads more or less," he added.

Osipovitch — relations with the Soviet Union and Eastern Europe — is the bright spot in the current picture as it is seen from Bonn. The fact that a reduction of American and Soviet



West Germany's affluent consumers in a year of "difficulty."

nuclear arsenals in Europe is seriously negotiated, is a central concern.

The coalition parties can take credit for having stood firm in 1983, when the Pershing II and cruise missiles, which are now the Western bargaining chips, were deployed despite opposition from the Social Democrats and the peace movement.

But the discussion on the subject is strangely muted. It does not reflect the upsetting effect that the removal of the American missiles could have on the country's position in the alliance. The anti-nuclear militants who opposed the deployment of these weapons are not publicly jubilant over their removal, and government officials seem reluctant to take credit publicly.

The danger of being left to face the superiority of Soviet conventional forces without the protection of the American nuclear shield is being discussed in great technical detail by specialists but does not appear to have impressed itself, as yet, on average people. Some, on the political right, worry about a possible unraveling of the alliance — the "uncoupling" of the links between Europe and the United States that deployment of the Pershing was supposed to prevent in the first place. But this seems to be a minority view. "For once," said a conservative newspaper editor, "the Germans are not worried enough."

Foreign Minister Hans-Dietrich Genscher, the leader of the Free Democrats, was the first among European leaders to argue that the Europeans should respond quickly to the Soviet initiatives and engage Mikhail Gorbachev in negotiations. His repeated public statements have been well ahead of the far more reserved reaction of British and French leaders.

Under Mr. Genscher's influence, the West German strategy is to probe Soviet intentions beyond nuclear disarmament and to test whether a new period of general East-West détente has become possible. As officials in Bonn see it, the Soviet Union is 10 or more years behind the West in industrial technology and continues to lose ground. The new Soviet leaders, this thinking goes, want to reverse the trend and need better relations with the West for this reason.

"The real test will come when we ask the Soviets for concessions on conventional forces," an official said. "This, and their attitudes on political issues, will show whether the Soviets are ready for a new policy of mutual restraint and nonviolence or whether they are bargaining only for a temporary and limited advantage," he added.

Whether the thaw is temporary or permanent, Bonn is determined to exploit it. Osipovitch has entered a new, highly active phase. President Richard Weizsäcker is due to visit Moscow, perhaps as early as May. Both Mr. Genscher and Eduard Shevardnadze, the Soviet foreign minister, plan mutual visits.

In spite of the misgivings of the Western Big Three, the mayor of West Berlin, Eberhard Diepgen, is set to visit East Berlin to participate in a state ceremony there celebrating the 750th anniversary of the city and Erich Honecker, the East German leader, has been invited to a comparable celebration in the western part of the city.

There has been a psychological reassessment since the early 1960s, when most West Germans were unconditionally pro-American. Today, the prevailing attitude is one of distance and even suspicion, even though certain hysterical excesses of anti-Americanism must be overestimated. It is significant that so competent a politician as Foreign Minister Hans-Dietrich Genscher, setting a different tone from the Christian Democrats with whom he is allied, has made himself one of the most effective proponents of close cooperation with Paris.

There are striking differences between the French and German reactions to the relationship with the United States. West German public opinion was slow to discover the limitations on its sovereignty that date from the

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# Defense Thinking Is a Weak Link In the Strong French Connection

By Peter Scholl-Latour

HAMBURG — Union is no longer an exaggerated term to describe the relationship between France and West Germany — so deeply interwoven have the bureaucracies of the two governments become and so close are the economic and personal ties at all levels. The full reality of this state of affairs, strangely, is less fully recognized by the West Germans than by the French, who are more deeply aware that their well-being is tied to the future of Germany.

For the United States that evokes strong emotions — both for and against — and that dominates popular expectations for the future

## POINT OF VIEW

much more than the alliance with France, which cannot match the weight of the superpowers. In the Protestant northern part of the Federal Republic especially, there is a tendency to dismiss the French partner as a *quantité négligeable*, and it is remarkable, therefore, that it is former Chancellor Helmut Schmidt, from Hamburg, with his understanding of coming strategic transformations, who has become one of the foremost advocates of a self-reliant French-German defense.

The big strategic options of the two governments remain far apart in spite of the rapprochement on all other levels. It was not until François Mitterrand became president that France declared itself ready to take part in the forward defense of the Federal Republic in case of war. He regards the territory between the Rhine and Elbe as an indispensable part of France's own defensive system and no longer as a *military glacis*. And he introduced this new concept into French military thinking at a time when the West Germans were focusing their strategic fears and interests on issues over which the superpowers alone have control.

President Ronald Reagan's Strategic Defense Initiative became a major theme of internal polemics in West Germany, while the French proposal for European scientific cooperation in Eureka received only marginal attention.

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defeat of 1945. While General de Gaulle, who engaged in lofty and sometimes excessive solo flights, created his own nuclear strike force and thus laid the foundation for a relatively relaxed French relationship with the American superpower, the West Germans are still chafing under their diplomatic and strategic dependence: They are asking not for their own nuclear weapons but, understandably, for the right to participate as full partners in any decision involving the use of these weapons in Europe.

This may be responsible for the contrasting French and German attitudes concerning nuclear power: for instance, in the case of the French power plant of Cattenom near the border in Lorraine. It may be that the negotiations on nuclear matters between the superpowers, whose secret is never completely lifted, and the fear felt by many Germans of being drawn into a nuclear inferno without being consulted touched off the psychological reactions in the Federal Republic that are so difficult for foreigners to understand. The rise of the Greens and the ecologist and Alternative movements has yet to be fully explained. It may be that beneath this romantic pacifism there are the first signs of a rise of neo-nationalist trends.

A majority of politicians from the Christian Democrats to the Greens regard the new Soviet *glasnost* with skepticism as well as hope. However, beneath this mixed reaction lies a profound change: The time is past when everything connected with the Soviet system was regarded as devilish. The willingness to coexist with the Soviet security system is not at all confined to the parties of the left.

Since Konrad Adenauer set the Federal Republic so firmly on the Western track, leading to its integration in the Atlantic alliance and the European Community, it is only natural, as the years pass, that another concept is re-emerging: The term "Middle Europe" is gaining currency again.

Interest in the history of Prussia and Saxony is being revived on television, the 750th anniversary of the founding of Berlin is being celebrated — all this reminds the Germans of their central place in Europe. As a result, there is a timid revival of traditional national consciousness, which is gradually superseding the postwar tendency to disown history. Even though the political and cultural intolerance and economic backwardness of the Soviet system remain repugnant, the initiatives of Mikhail Gorbachev have stirred a new fascination with Russia. Détente, including nuclear disarmament in Europe, is regarded by many Germans as a milestone on the road to the rapprochement between the two German states

that is already well advanced on the cultural level.

The French, as continental allies, have more understanding than the British and Americans for these German attitudes and geographical pressures. Paris is conscious of the difficulties that are in the offing for the French-German alliance. Even if it is not in Moscow's interest to nourish any West German illusions about the possibility of renunciation of the two states, the Soviet Union may use its influence in East Berlin to induce the Bonn government and political parties to make concessions. On the Rhine, there is a growing suspicion that West and East Germany both are pawns in the big chess game of the superpowers.

If the nuclear zero option, which Bonn had originally demanded and is now hypocritically praising, is adopted, it will make a basic rethinking of the defense concepts of the Atlantic alliance inevitable. The Reykjavik decisions raise questions about the American nuclear umbrella, and an eventual drastic reduction of the American military presence in Europe cannot be excluded.

But the logical consequence that Mr. Schmidt wants to draw from this situation — namely, the creation of a self-reliant, integrated Franco-German defense potential — will not be drawn any time soon. All declarations to the contrary notwithstanding, it is clear that Washington would be against any tendency of the European pillar of the alliance to become more independent. And the Soviet Union would, with all the means at its disposal, oppose the strategic consolidation of Western Europe, which, in Moscow's analysis, could lead to a new German hegemony over the continent.

Between the reality of European unity, which, hopefully, is irreversible, and the perspective of a rapprochement of the two German states, which could be used by the Soviet Union as a means for destabilizing Europe, the Federal Republic finds itself necessarily in an ambiguous position. The Germans, throughout their history, have been part of the West and at the same time open and available to the East. The contradictions between these two strains of history have often led to disaster. It will take great statesmanship and suppleness for West German politicians if they want to bridge these contradictions in a way that would be acceptable for both West and East.

PETER SCHOLL-LATOURE is a German television journalist and author of best-selling books on international affairs. He is a director and former editor in chief of the weekly Stern.

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Social Issues

# Disputes Among Historians Indicate Changing Cultural Moods

## The issue is whether the identity of Germans today should still be overshadowed by the 12 Nazi years.

By Christoph Bertram

**D**IFFERENT countries have different ways of debating the trends of their time. In France, the "new philosophers" reflected the growing disenchantment of the Left with Soviet Marxism and its most terrible product, the gulag. In Britain, that happy country where intellectuals are still not classified by specialty but respected for their general education, the letters page of *The Times* remains the prominent forum for the battle of ideas.

In contrast, in West Germany, where there is no real establishment, an capital city combining the political and cultural elites, indications for changing moods and subterranean currents can be found in the disputes among historians. It is, perhaps, indicative that the historians, the analysts of times past, should play such a role in the exploration of German identity today. As Gordon Craig, the Scottish-American who has become a leading and sympathetic authority on German history, recently reminded us in *The New York Review of Books*, German professors in general and German historians in particular have always been a querulous lot. "The historians have been prone to prolonged and bitter intellectual donny-bros, and some of these, because of the importance of the issues involved and the passion with which they have been debated, are remembered as significant illustrations of the social and intellectual temper of their time."

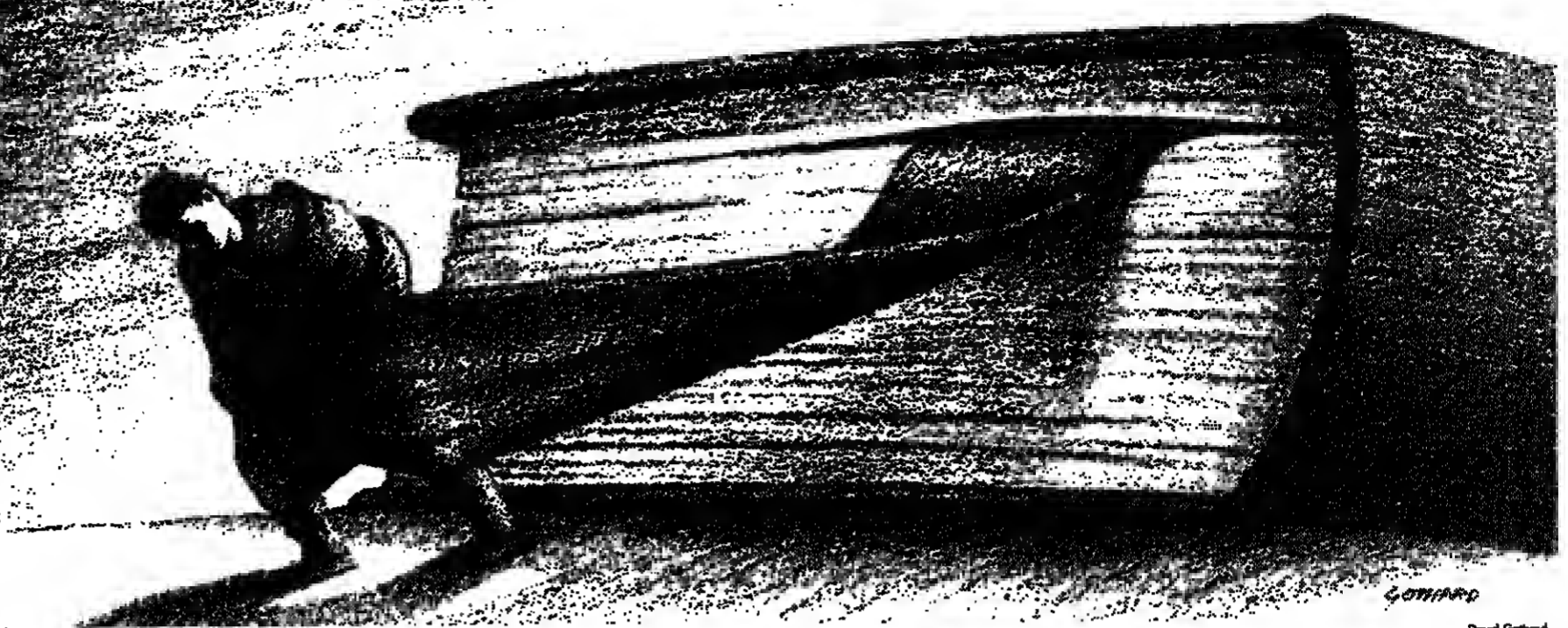
**M**OREOVER, few countries have experienced a more turbulent history over the past 120 years: from the loosely knit German federation of the first part of the 19th century to Bismarck's Reich; from the ruins of World War I, the ravages of inflation and depression to murder and destruction under the Nazis; from capitulation in 1945 to national division; from bankruptcy, then to prosperity now. As Germans try to find out what they are about after all these traumatic experiences, they quite naturally turn to the historians to provide them with a sense of where they come from and also, perhaps, where they are going.

The latest of these debates has been conducted in pages of the West German press for most of last year, most prominently in the country's leading liberal weekly, *Die Zeit*. The issue is not a new one: whether, 45 years after the collapse of Hitler's Reich, the identity of Germans today should still be overshadowed by the 12 Nazi years, which brought death and destruction to tens of millions of people, truncated the nation and cut it off from its history. The first shot in the encounter was fired by

Berlin Professor Ernst Nolte, a man characterized by Craig as "more of a philosopher than a historian, with a penchant for making startling comparisons or posing daring hypotheses, often in the form of questions, which therefore do not require an underpinning of proof." Nolte's piece printed in the country's major daily, the conservative *Frankfurter Allgemeine Zeitung*, culminated in one such question: whether the idea for Auschwitz had originated with the massacres of the Soviet Union and whether the Nazis and Hitler had perhaps committed their atrocities only because they regarded themselves as the potential or real targets of an "Asiatic" deed. "Was the gulag," Nolte asked obscurely, "not more original than Auschwitz?"

In normal circumstances, the strange utterings would have been passed over as the maverick views of an ivory-tower academic. But there are no "normal circumstances" in a country whose name has become linked with the greatest crimes in history and which, in its credit, has tried hard not to forget this. The man who took up Nolte's challenge was no historian, but West Germany's leading leftist sociologist and philosopher, Jürgen Habermas. Rather than ridiculing Nolte's strange suggestions, he took them very seriously. Behind it all (and other, similar remarks by historical writers), Habermas detected less a rearrangement of the past than an attempt to instill, in West Germany today, a new sense of identity and patriotism by putting Auschwitz in the same "category" as other 20th-century atrocities. And soon every self-respecting historian was joining the battle.

If followed, as these things are perhaps bound to, an almost predictable course. Joachim Fest, highly respected journalist and Hitler biographer and now one of the editorial directors of the *Frankfurter Allgemeine Zeitung*, led the counter-counterattack by claiming that, after all, Nolte's questions could not be dismissed out of hand, and that there were indeed reasons to doubt the "singularity" of the Nazi crimes. The historians rallied mostly to Habermas; Nolte's suggestion that Hitler had followed an "Asiatic" model was analyzed, dissected and roundly rejected. All agreed that the Nazi atrocities, the bureaucratized, mechanical and mechanized murder of millions of human beings cannot ever be equated with other mass crimes, not in Stalin's Russia nor in Pol Pot's Cambodia. Nolte responded in *Die Zeit* in typical fashion: "The gulag is more 'original' than Auschwitz for the simple reason that the originators of Auschwitz were aware of it and not the other way around. But there exists nevertheless a qualitative difference between these two events. It is impossible to overlook these differences, but it is



even more impermissible not to recognize the relationship." And even Habermas, in his final reprieve called this "a thoughtful contribution."

And yet, the impact of the dispute, which touched many in the German intelligentsia deeply, cannot be explained by its historical arguments, important as they may be. As such, they have little novel value in a society that only a year earlier had discussed with German thoroughness the lessons of history on the 40th anniversary of May 8, 1945. Four decades after Hitler's death, it is virtually impossible not to find, in any edition of the national newspapers, references to events during those dreadful 12 years, 1933 to 1945. Indeed, the coverage is so extensive, the memoirs of the survivors so widely reviewed, the dates of Hitler's rise and fall so meticulously chronicled, that clearly this remains a major preoccupation of Germany's thinking classes. Of course, as new generations come forward, memories recede and the fixation on the past, however morally justified, inevitably acquires a degree of ritual. But perhaps there is no other way in which human societies can cope with the burden of historical guilt, and the seriousness of these attempts is not in doubt.

Yet the political significance of the "historians' dispute" lies elsewhere. Habermas feared not just that the arguments of the Nolte camp were trying to reduce German guilt but that they were put forward in order to justify that political restoration that liberals and leftists among the German intelligentsia have long associated with the government of Helmut Kohl and the "change of course" attributed to it. It was this that ranked Habermas, the champion of the enlightenment. His concluding piece in *Die Zeit* was entitled, "Of the Public Use of History." History, so his argu-

ment went, was being misused to serve the political interests of conservative restoration. The vehemence of the debate can indeed only be understood in this context: It was not just another quarrel over the guilt of the Germans but over the role that this guilt should play in defining the identity of the nation. Behind all the academic arguments, the real debate was about the future consensus on West Germany's political identity.

**W**HY did it break out now? For one, the government of Helmut Kohl, unlike all its predecessors, has put itself firmly into the context of "normalcy." From the start of his tenure, Kohl has presented himself as West Germany's first chancellor of the generation born after the war. He has, it is true, found moving words on occasions to underline that Germans can never escape from their past. It is also true that his desire to make Germans understand that their history reaches back much further than 1933 has been shared by practically all his predecessors. But Kohl, in contrast to them, has sought more directly and perhaps more crudely to give to his compatriots a sense that they have no reason to run around in a hair shirt any longer. Kohl's acts of historical reconciliation have thus not been with the persecuted of the gas chambers (like Adenauer's agreement with Ben-Gurion for material compensation for the Jews or Willy Brandt's kneeling before the Jewish memorial in Warsaw) but with those killed on the battlefields: Kohl joined hands in Verdun with President Mitterrand and at the military cemetery of Bitburg with President Reagan. And he no longer acts as if the burden of German's Nazi past rests heavily on his shoulders.

This is probably not just a matter of genera-

tions and probably no coincidence that the dispute between those who want to emphasize "normalcy" on the right and those who protest the "inherent abnormality" of the German existence on the left occurs at a time when the West German political consensus is showing severe signs of strain. Within the society, as well as in the international framework within which the country must operate, there are growing signs of shift and doubt. Domestically, the authority of the large political parties has suffered as voters have become less and less classifiable by social class and affinity, and the authority of the center has progressively been weakened as local and regional matters have increasingly come to the fore. Internationally, the relationship with the United States has been strained by the clash between Reaganite ideologies in America and an often no less intense anti-Reaganism in West Germany; NATO and its doctrine of deterrence have been thrown in doubt by the emotional nuclear debate; the European Community seems to have decayed to petty bargaining over farm subsidies and steel quotas, while at the same time new possibilities for contacts and cooperation with East Germany seemed to open up and with it a new curiosity in West Germany about the cousins across the Elbe.

This, therefore, is the context in which the historians conducted their debate: the battle over the future shape of the German consensus. The Kohl government, rightly aware of the dangers inherent in West Germany floating between East and West and past and future, has tried to get history on its side. The critical left, as represented by Habermas, not only dislikes the method but also the objective.

Who will prevail in the end? My hunch is that history, particularly in the German case, is not a useful handmaiden for the task of shap-

ing future policies. Those who argued in the debate that the past cannot be reinterpreted in suit the political fashions of later times have been proven right. The Nazi crimes were so horrendous that they will continue to overshadow German history for the indefinite future, and every new generation of Germans will have to come to grips with it again, however painful the process. If they want to give a direction to floating moods and uncertainties in the country, political leaders have to address the tasks of the future, not lighten the burdens of the past.

**W**EST German society, for all the quarrels, polemics and excitements of the 1980s, remains, after all, basically content with the status quo — as long as it does not pose awkward alternatives. Normalcy has set in in West Germany, and time is a force that not only reconciles with the past but also with the present. By and large, Helmut Kohl reflects a widespread feeling in the country: West Germans feel satisfied with their existence. The recurrent debate over "German identity" is no proof to the country — after all, Germans have always been fond of discussing what they are and why; it is the favorite parlor game.

What uncertainties exist would seem to be quite natural in a phase of domestic and international flux. They will get into something more serious only if the politicians fail to provide leadership — and no historian can do that job for them.

CHRISTOPH BERTRAM is diplomatic correspondent of the weekly *Die Zeit*.

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ME SSE MÜNCHEN INTERNATIONAL

# Merging Giants: The Start of a New Corporate Era

By Edward Roby

**B**ONN — The temptation to build corporate empires seems to be stirring again in West Germany after a long postwar dormancy.

The victorious World War II allies had identified the tendency to erect market-dominating structures in industry as a peculiarly German vice. They found it unusually threatening and set out to crush it under the unofficial occupation policy slogan: Demilitarization, Decartelization and Denazification.

The biggest target of the decartelization program was the I.G. Farbenindustrie AG fusion of the export-oriented German chemical industry, which developed the poison gas that made its debut in World War I as well as a list of ingenious synthetic products that have transformed the modern world.

A made-for-television epic based on the rise and fall of IG Farben with Burt Lancaster in the role of a chemical industry patriarch became a prime-time hit on German television over the Christmas holidays. The film delivered a frank portrayal of the world's biggest chemical industry as a tool of militarism and per-

verse nationalism side by side with its Nobel prize-winning glory and incomparable scientific achievements.

And it came at a timely juncture in West Germany's development because the peril of economic concentration is again a topic of public discussion.

Last autumn, Aachener-Münchener, one of West Germany's top five insurance companies, agreed to pay 1.85 billion Deutsche marks (\$1 billion) for the acquisition of the union-owned Bank für Gemeinwirtschaft, the country's eighth largest bank, when the German Labor Federation ran into severe financial difficulties. This takeover followed closely on the country's most spectacular postwar merger, in which Daimler-Benz paid 1.6 billion DM to absorb the giant but troubled electrical concern AEG.

It was just one in a string of rapid-fire takeovers through which the Mercedes automobile maker catapulted itself into the No. 1 position in West German industry last year. The car company also acquired MTU Motoren- und Turbinen-Union and the family-owned Dornier aerospace firm, both of them high-profile defense contractors.

The trend toward concentrations in the form of conglomerate mergers became visible for the

first time with the AEG and Bank für Gemeinwirtschaft acquisitions, commented Wupper and Partner, the Hamburg merger specialist, in its annual report for 1986. "A new era in German corporate history was initiated with this."

The Wupper report, titled

resulting firm, observed in the report. The trend was nowhere more visible than in the service industries, particularly in publishing, banking and computer software, the report said. In the industrial and manufacturing sectors, it said, the merger bug was especially active last year in

billion DM to acquire Celanese Corp. of the United States.

The Bertelsmann media concern, meanwhile, took positions in Doubleday Books and RCA for 1.8 billion DM. Deutsche Bank plunked down 1.2 billion DM for the Italian unit of Bank of America and Volkswagenwerk bought into Spain's SEAT for 1.1 billion DM.

In its impact on the domestic economy, the recent German merger wave fades to insignificance beside the frenzy that swept through the U.S. oil industry a few years ago. But some critical observers of the forces that produce concentration in the West German economy have contended that such straightforward, cash-and-carry commercial acquisitions may be only the tip of the iceberg.

Wolfgang Kartte, a chief of West Germany's Berlin-based antitrust office, has warned that the real danger of economic concentration might lie in the country's largely unregulated universal banking system, which permits a few influential commercial banks to maintain extensive portfolios of corporate shareholdings.

Deutsche Bank, the country's largest credit institution, for example, owns 28.5 percent of Daimler-Benz, the largest industrial company, and both Dresdner Bank and Commerzbank, the other two members of German banking's "Big Three," also have a stake in the car company. Deutsche Bank Co-Chair-

man Alfred Herrhausen, named last year by a business magazine as the most powerful man in West Germany, is credited with playing a key role in the Daimler-Benz acquisitions. And Deutsche Bank, which has major holdings in many blue chip concerns, has its representatives on about 150 supervisory boards of industrial companies.

A report filed last summer by West Germany's public monopoly commission revealed that Commerzbank held stock in 10 of the country's 100 biggest banks, and Deutsche and Dresdner, along with the giant Allianz insurance group, had a partial stake in eight apiece.

The commission, which called for a 5 percent cap on corporate participation by the banks in other industries, cited two cases in which it said bank influence may have neutralized an official ban on proposed mergers of retailing and manufacturing companies active in the same business.

Hanns C. Schroeder-Hohenwirth, who in March concluded a four-year term as president of the German Banking Federation, calls such criticism unfair.

Mr. Schroeder-Hohenwirth and the head of Commerzbank, Walter Seipp, have said that legislative moves to restrict banking participation in industry could have damaging consequences for the economy.

EDWARD ROBY is United Press International bureau chief in Bonn.

The peril of concentration is again a topic of discussion.

"Who Is Buying Whom?" cataloged 1,724 mergerlike transactions involving West German companies last year, a burst of activity that it said was up more than 30 percent from the 1985 level. German corporate strategists, in arming themselves for the challenges of the 1990s, are recognizing that taking a position in an existing firm can be surer and cheaper over the long haul than starting from scratch in a new field, the report said.

A new momentum toward concentration within branches is visible on a broad front, Jürgen Wupper, chief of the merger con-

chemicals, pharmaceuticals, machine tools, electronics and data processing and controls technology.

The Siemens electrotechnical concern led the list of the top 10 buyers with 24 acquisitions in 1986, followed by the soon-to-be privatized Veba energy conglomerate, Deutsche Genossenschaftsbank and the Axel Springer publishing house.

West Germany's corporate empire-builders invested heavily in foreign markets last year, too, with the Hoechst chemical concern, once a part of the IG Farben colossus, paying a record 5.7

## EC's Complaint

Continued from page 7

West German diplomats deny this.

"There's certainly no government money set aside with the aim to persuade firms out to cooperate with somebody abroad," a diplomat said. He and other German officials argue that any increase in national subsidies reflects the needs of the targeted sector and are out an effort to undermine competing EC programs.

An oddity in the controversy concerns the role of West German companies, universities and research institutes. While the Bonn government appears skeptical about most EC research programs, West German organizations are enthusiastic in certain cases.

In the EC's program for industrial engineering, there are more firms from West Germany than from any other EC nation, sources say. West German organizations are also prevalent in programs on nuclear fusion, the one area that the Bonn government fully supports as appropriate for joint research.

However, the record is spotty. The commission refuses to disclose precise statistics, but West German firms are said to be underrepresented in Esprit, while there has been little enthusiasm for Race, the EC telecommunications program. Race is still in its definition stages, so the extent of future West German participation is not clear.

PETER MAASS, a journalist based in Brussels, writes frequently for the International Herald Tribune.

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Economic Trends

Economy, at Crossroads, Is Caught in Social Net

Continued from page 7

resulted in a 3.8 percent rise in domestic demand in 1986 from 1985.

Most economists see another 4 percent to 4.5 percent rise in 1987, from 1986. Other European countries and the Reagan administration and have pushed the West German government to further stimulate domestic demand as a means of raising import levels, thus easing the huge U.S. trade deficit.

The trend represents a fundamental change of impetus for the economy. Economic growth in 1986 and 1985 was powered by record-high export levels. West Germany's trade surplus soared to a record 112.2 billion DM (\$61.65 billion) in 1986, breaking the old mark of 73.4 billion DM set in 1985. Exports account for one-third of the nation's economic output.

The nation's current account registered a record surplus of 77.8 billion DM in 1986, starting the old record of 38.9 billion DM set the previous year.

For 1987, most economists are projecting a trade surplus of 100 billion DM and a current account surplus of about 60 billion DM.

But the dollar's plunge to around 1.82 DM currently from a peak of 3.47 DM in mid-1985, has severely hurt exports. In volume terms, exports fell 0.6 percent in 1986 from 1985, but due to vastly improved terms of trade, the nominal levels, which do not factor in prices, rose.

Exports are seen falling about 1 percent in 1987, although a further dollar decline would be a serious blow. But as one West German economist said, well-off Americans still want BMWs and Porsches whatever the price. Also, the majority of German exports go to countries other than the United States.

However, West Germany's highly export-oriented industry is responding to the steep drop in foreign orders for German goods by cutting back capital goods investment, cutting production and inventory,

and taking further restructuring measures, including laying off workers.

That further aggravates unemployment, which has been a persistent problem for the Kohl administration. In February, unemployment totaled 10 percent of the work force, or 2.4 million persons, down from 2.5 million in January. West Germany's unemployment totals are usually higher in winter because the construction industry frequently shuts down due to weather conditions.

The government is reacting by sticking to its guns. Employment Minister Norbert Blum says the government's policy is still creating new jobs through continued economic expansion, rather than financing make-work schemes that offer at best a transitory solution.

The nation's unions have a different idea. In current labor negotiations, the IG Metall metalworkers union is again pushing its proposal to shorten the work week to 35 hours as a way of reducing unemployment. The union's position is that workers get the same pay for 35 hours that they now get for 40 hours or 38.5 hours, plus a 5 percent raise and no overtime work.

Proposals for shortening the work week touched off a bitter, six-week metalworkers' strike in the summer of 1984 that virtually closed down West Germany's huge automotive industry. The dispute was resolved with a compromise on a 38.5-hour work week in the industry.

There have been several minor warning strikes by the metalworkers thus far in 1987, and the issue could turn into a major problem for the government and employers, who are firmly opposed to it. The government also wants pay increases to be limited, to help fight inflation.

The danger of possible strikes could lead to a further worsening of the climate among businesses and consumers," said an economist for Westdeutsche Landesbank Girozentrale AG in Düsseldorf. "We also see a trend in the coming months for only

relatively weak declines in unemployment and a slowdown in new employment."

Looking beyond the labor front, there are some positive signs for the West German economy. Interest rates are low. The Bundesbank's key lending rate, the discount rate, was cut in January to 3 percent, from 3.5 percent, putting it at its lowest levels since 1959. Money market interest rates are steady at around 3.8 percent.

Karl Otto Pöhl, president of the Bundesbank. West Germany's central bank, recently told a group of top bankers that he sees room for a possible further discount-rate cut. But he has also said monetary policy has gone about as far as it can to boost the nation's economy, and fiscal policy must take over.

Fiscal policy is the realm of Finance Minister Gerhard Stoltenberg, who played a leading role in the meeting of the Group of Seven industrial nations in Paris, in late February. At that gathering, West Germany promised to beef up a tax cut scheduled to go into effect in January 1988. The Group of Seven consists of Britain, France, Italy, Japan, West Germany and the United States. Italy boycotted the February meeting.

On Feb. 25, the coalition agreed to lower the corporate tax rate to 50 percent from 56 percent and to reduce the top personal income tax rate to 53 percent from 56 percent. The minimum personal income tax rate is to be lowered to 19 percent from 22 percent.

But the tax-reduction proposals have drawn fire, both for what they include and what they leave out.

Michael Zapf, managing director of the Bank in Liechtenstein in Frankfurt, likens them to the "creative accounting" described by the former White House budget director, David Stockman, in his book on the early days of the Reagan administration.

Mr. Zapf calls the tax package, "a rosy scenario with a magic asterisk," and questions the underlying economic assumptions.

"In a prudent bookkeeping sense," Mr. Zapf said,

"the entire financing of the tax reform package remains unclear. Under a worst-case assumption, it is perfectly possible that the next years will see a significant increase in public sector borrowing requirement. Should such a drastic increase in public debt occur, the public sector will crowd out the private sector and interest rates will rise."

Other economists have questioned whether the tax cuts should be moved up to this year. So far, the government has given no sign that speeding up the cuts is being considered.

The tax-reform package did not include the abolition of West Germany's stock exchange turnover tax. Top government officials had repeatedly said the turnover tax would be done away with in the current legislature's tenure. The failure to include it on the government's legislative agenda has been harshly criticized.

"It's a great disappointment," said Rüdiger von Rosen, executive vice chairman of the West German Stock Exchange Association, the umbrella group of the nation's eight bourses. "The reason being given for this abrupt about-face, that it would cause a loss of about 750 million DM in tax income that can't be recovered, is in no way believable. The efforts by the government, banks, stock exchanges and the Bundesbank to make West Germany a more competitive, international financial center have lost credibility, here and abroad."

West German voters returned Mr. Kohl's coalition to power on Jan. 25, although with a sharply reduced majority in parliament. The government, which assigned cabinet posts in early March after weeks of negotiations, is just beginning to plot its route through the tangled terrain of economic necessity and political expediency. But faced with the prospect of slowing growth, simply "carrying on" appears certain to be the road not chosen.

Ferdinand Protzman is a correspondent for the International Herald Tribune based in Frankfurt.

Industry

Outlook



Automobiles

The market for passenger cars, following a record year of output and new registrations, is unlikely to match growth recorded in 1986. The stronger Deutsche mark is making West German cars more expensive abroad. And growing imports may squeeze sales in lower- and middle-priced automobile brackets, while increasingly affecting the market for luxury automobiles.



Steel

Steel output, affected by the stronger Deutsche mark, growing exports and the decline in the oil market, dropped by 7 percent in 1986. No fundamental improvement is expected in 1987. Market share for mass steel will continue to be lost to developing countries, and the market for steel pipe will yield more ground. Profit margins may be eroded further by the weak dollar.



Mechanical Engineering

Output for 1987 is assured because of a sizeable volume of orders in hand. But foreign business, which accounts for 65 percent of the total, faces certain risks because of the declining dollar, depressed oil prices and the threat of import restrictions in the United States. Maintaining market positions may cost in earnings, but increases in the work force are expected.



Electrical Engineering

Electrical engineering output for 1986 grew at a rate of 5 percent. For 1987, production in the sector is expected to expand by 3 to 4 percent. Data processing and information technology sectors are backing off, but energy technology, auto electronics, drive and control technology and consumer goods are strengthening. Investment is expected to grow by 10-12 percent in real terms.



Chemicals

Industry sales dropped by nearly 6 percent in 1986, following a decline in oil-market prices and the weakening of the U.S. dollar. With uncertainties persisting over the direction of oil prices and exchange rates, moderate growth in output of 2-2.5 percent is forecast. Employment is expected to increase by about 1.5 percent. Plans for capital expenditures call for a real increase of 10 percent.

Siemens: Global Game and 'European Solution'

A survivor plays catch-up ball in computers.

By Vivian Lewis

MUNICH — With one exception, the great names of the West German electrical industry are now but footnotes to history, bankrupt or taken over: Grundig, AEG, Telefunken. The main survivor is Siemens, vying with Philips of the Netherlands for top rank in European sales, and fifth rank in the world, after IBM, GE, Hitachi and Matsushita.

Siemens' board chairman, Karlheinz Kaske, 59, a doctor of engineering and a pragmatist, told a French journalist: "My colleagues of the management board and I do first of all what is good for Siemens. So much the better if it is also good for German industry. But Germany represents only 5 percent of the world market for electrical and electronic products."

To be sure, Siemens is West Germany's and Europe's largest private-sector employer, with 363,000 employees, 20 percent of them university graduates. But Siemens officials say that their strategy is worldwide in the first instance and focused on building up the company's presence in the United States in the second. North America in 1986 accounted for 10 percent of Siemens' total sales, after West Germany, 47 percent, and the rest of Europe, 26 percent.

In the last annual report, Siemens boasted that its integrated services digital network system had been sold to four of the seven regional Bell operating companies in the United States. Its Hickory, North Carolina, joint venture with Corning is the world's largest manufacturer of optic fiber cables.

All of which makes it a bit difficult to appreciate

the logic of Jacques Delors, president of the European Commission, who urged the French government to let Siemens become the foreign 20-percent shareholder in Cie. Générale de Construction Téléphonique (CGCT) now being sought by the French government. This, Mr. Delors wrote in Le Monde, "is a European solution."

Some staff members at Le Monde feel the commission's real concern is keeping Siemens involved in European programs, like RACE for broad-band cellular radio research, EUREKA for basic research and ESPRIT for computers.

Siemens is playing catch-up ball in computers. Here, too, it is sometimes a good European, using European standards (Unix in its X-open variation, also used by Bull, Ericsson, ICL, Nixdorf, Olivetti, Philips, and Unisys and Digital Equipment Co. of the United States.)

Siemens is less of a presence in computers than it could be. Sales in 1986 of its communication and information systems group came to 9.1 billion Deutsche marks (\$5.1 billion), just inching ahead of telecommunications. But in addition to data-processing systems, this division includes value-added communication systems, in-house telecommunications for companies, fax and telex machines. The mixture of quite different products in one division is typical of Siemens' way of reporting its results.

Unlike other world-class electrical conglomerates, such as IBM, Hitachi or Philips, Siemens has only half-heartedly tried to make inroads in the computer industry. But last November, in a major switch, Siemens opted to join BASF in creating a new West German company, Compax (capitalized at 80 million DM), to produce IBM-compatible personal computers and more peripheral systems.

Siemens' sales and orders in communications and data systems in 1986 increased by 10 percent. The mainstay of Siemens' presence in the market is its family of general purpose computers, 3,500 of which have been installed in Europe. By adding PCs from Hitachi, Siemens hopes to develop a range of compatible machines based on the same software, which can interface without interference.

Can Siemens catch up in chips and computers while taking on a problem French telecommunications

firm? The means are not lacking. Siemens is the most heavily capitalized West German-quoted industrial company, accounting for 10 percent of the stock market index.

Siemens' chip strategy worries the stock market, in part because the pay-back for the firm is far down the pike and depends on costs as well as technology. Unlike IBM or even Philips, Siemens lacks a sufficient "captive market" for the chips its Munich plant will produce and its Regensburg unit will test and assemble with all costs to be incurred in marks.

Another problem for the market in sizing up this conglomerate is the obscurantist presentation of the accounts. Until this year, Siemens used to report separately for the power station company in the group, Kraftwerke-Union. But a lack of orders for

KWU following Chernobyl and the Green Party movement was painfully obvious last year — and was the major reason that Siemens did so poorly. The company's reaction is typical: In 1987, KWU will be consolidated and its troubles will be hidden.

Telecommunications order books and sales failed in 1986 to match levels reached the previous year, partly because currency factors shrank growth, and partly because the firm failed to get contracts as large as had been delivered in 1985. As a result, communications and data-processing overtook this division for second place in sales (after electrical engineering). But Siemens is convinced that 1987 will be better.

VIVIAN LEWIS is a Paris-based financial journalist.

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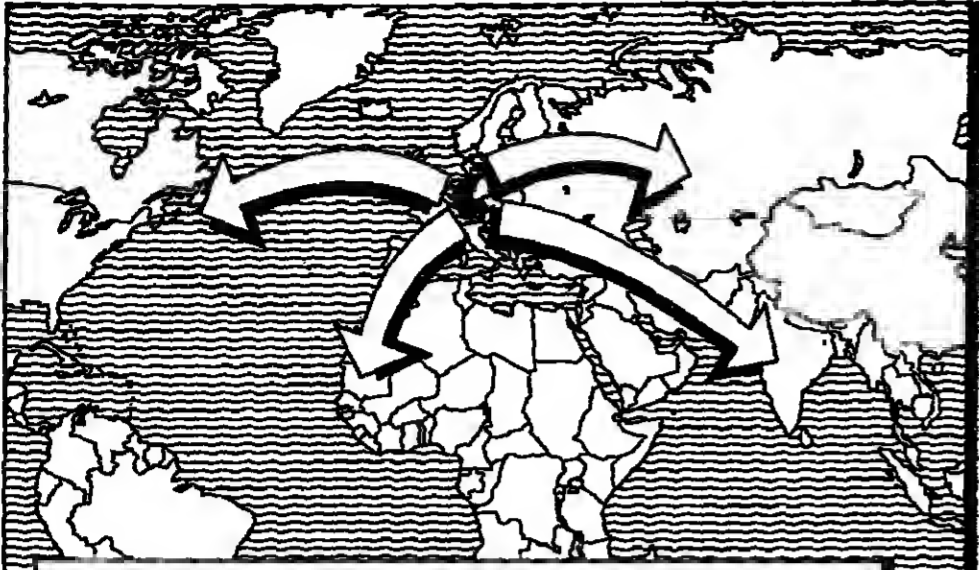
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TRADE PROFILE

Export Ties Across the Globe



Dollar, Recessions Affect Orders

By Wellington Long

BONN — West German exports have been suffering since the spring of 1986 from the effects of the declining U.S. dollar as well as from economic stagnation or recession in many foreign markets. Exports to developing countries fell by about 16 percent last year, primarily because their economies were stagnant or even in recession. Yet the picture has some highlights. Some exporters actually have increased their business, particularly in the United States, mainly by supplying special products not otherwise available — an example is the Uelzener Maschinenfabrik Friedrich Mauer GmbH of Sulzbach, which has markedly increased sales of its small construction machines to the United States and says it is making a profit despite the unfavorable exchange rate. But overall, new export orders have fallen off, by 10 percent for machines and factory installations. The Institute for Global Economy in Kiel says that West German exports

depend less on the exchange rate of the U.S. dollar than on the economic situation in the customer countries. For this reason, the Institute predicts that West German exports may increase slightly this year, although they could drop off in 1988.

The IFO research institute in Munich says another important factor is that 85 percent of West German exports are factored in marks.

Klaus Richter, president of the West German Association of Wholesale and Export Traders, says that quality products, timely delivery, follow-on service and the fact that West German exporters remain in a market even if they suffer temporary setbacks are more important than the cheap dollar.

According to Mr. Richter, West German exports in 1986 dropped nominally two percent below 1985, although reckoned in volume, they actually grew by 1.4 percent.

"In short, exports lost their verve during the last year," Mr. Richter said.

Wellington Long is a journalist based in Bonn.

United States

Despite the steadily declining dollar, West German exports to the United States fell only minimally during 1986, by one-half of one percent. But the association of wholesale and export traders warned that exporting to the dollar area, because of the massive fall in the exchange rate of the dollar, has become "increasingly difficult and riskier." One company, Porsche AG, which sells more than half its output in the U.S. market, expects to sell every automobile it makes, but the company will earn less than in the recent past.

Western Europe

The states of the European Community remain West Germany's largest export market, France being the largest customer. While farm implement manufacturers in other countries reported serious difficulties, West Germany's tractor makers recorded considerable export successes, particularly within the EC. They attributed this in part to innovation. Exports to Spain rose by 24 percent and to Portugal by 10 percent, primarily as a result of the entry of these two countries into the European Community.

Asia

Exports to Asia fell off slightly, by three-tenths of one percent, although West German imports from that area increased by almost nine percent. Exports to Asia make up about six percent of all West German exports. Exporters say their main competitors are the Japanese and the United States, both of which have established themselves in the Asian market so firmly that competitors find it difficult to break in. Exporters believe the political situation also plays a role. About 47 percent of Asian trade is with Japan.

Middle East

Exports to the Middle East region, particularly to the oil- and gas-producing countries, declined sharply last year, in some cases by up to 30 percent. At fault is the declining price of petroleum on world markets. These countries' own revenues from exports of raw materials factored in U.S. dollars dropped drastically. The exporters hit hardest are 1,000 West German manufacturers of air-conditioning equipment. They report that during the last year orders from oil-producing countries dried up completely.

Soviet Union and Eastern Europe

Exports to the Soviet Union fell off by 11 percent during the last year, primarily because the prices for raw materials, West Germany's main export item, dropped so sharply. West German industrialists hope that they eventually can recover some of the lost Soviet

markets by developing joint enterprises with Soviet state-owned firms. Many details of such potential arrangements, which are being actively promoted by the Soviet Union, have yet to be clarified. The situation in Eastern Europe is similar.

Close Relations

What Washington Wants

By John M. Goshko

WASHINGTON — With the formal re-election of Helmut Kohl as West Germany's chancellor, U.S. officials anticipate four more years of close ties with a leader whose center-right policies have put him only a hair behind British Prime Minister Margaret Thatcher as the Reagan administration's favorite West European ally.

The relationship will not be totally trouble-free. There are areas, such as international economic policy, East-West relations and combating terrorism, where differences between Bonn and Washington are apparent.

But, officials on both sides agree, all involve issues susceptible to compromise. And, U.S. policymakers privately acknowledge, Washington prefers dealing with Mr. Kohl's coalition of Christian Democrats and liberal Free Democrats than with the opposition Social Democrats, who are regarded as open to neutralist influence, or with a government headed by Mr. Kohl's rightist Christian Democratic rival, Franz Josef Strauss, who advocates a hard-line approach toward the Soviet Union.

At present, the major difference between the two governments involves a reprise of Washington's periodic efforts to get the cautious and reluctant Kohl government to use West Germany's economic strength to play a greater role in world affairs.

What Washington has most in mind is its desire for West Germany, and Japan, to stimulate their economies to help relieve the U.S. trade deficit and to stabilize the decline of the dollar. U.S. Treasury Secretary James A. Baker 3d made some headway at a Feb. 22 meeting in Paris when Bonn promised to increase a planned \$5.5 billion tax cut, scheduled for Jan. 1, 1988, to stimulate demand by West German consumers and businesses for imports.

But the tax cut increase, which some sources said could amount to about \$3 billion, fell considerably short of the steps Washington had advocated. Moreover, Bonn's willingness to go ahead could be set back by slower growth and a rise in unemployment.

"We don't want German efforts to be confined to sucking in more American exports," said one U.S. official involved in the talks. "We'd like to see West Germany more active in the European Common Market and elsewhere in promoting greater free trade, and we think it could do more to help relieve the massive foreign debt problems weighing on so many Third World countries."

But, as another U.S. official noted, "the Germans are too conditioned by innate conservatism and their past history of traumatic economic setbacks to be comfortable with the idea of getting out front in a leadership role."

While Washington is all in favor of West Germany becoming a more activist force economically, it is much more equivocal about Bonn following a similar path in the political sphere.

In the Middle East, Bonn usually has been associated with European Community initiatives that West European governments insist are even-handed but that are regarded by Israel as tilting toward the Arab side. That, in turn, is seen by some U.S. policymakers as unhelpful toward efforts to revive the long-stalled peace process.

Differing perspectives on the Middle East also have been evident in the anti-terrorism field. For a brief moment, it threatened to cause a major problem between the Reagan and Kohl governments over U.S. requests for the extradition of Mohammed Ali Hamadei, 22, a Lebanese Shiite Muslim arrested to West Germany on Jan. 13.

The United States wants to try Mr. Hamadei for alleged participation in the 1985 hijacking of a TWA jetliner to Beirut and the murder of a U.S. Navy enlisted man who was among the passengers. However, the kidnapping of two West Germans to Beirut by terrorist groups demanding Mr. Hamadei's freedom forced the Kohl government to explore procedures that would avoid extradition.

While U.S. officials privately say they still want Mr. Hamadei extradited, they have ceased pressuring Bonn and have said they will await the results of extradition proceedings in the West German courts. Bonn has fended off the terrorist calls for releasing Mr. Hamadei in a trade-off for the captive Germans, and there appears to be a tacit agreement that the situation not be allowed to escalate.

The most likely arena for greater political interplay between the two governments is the Atlantic alliance and what approach the United States and its North Atlantic Treaty Organization partners should take toward the "openness" initiatives of Soviet leader Mikhail S. Gorbachev, particularly in arms-control.

The strong showing made by Mr. Kohl's coalition junior partners, the Free Democrats, in the January national elections is regarded in Washington as having increased greatly the influence of the Free Democratic leader, Foreign Minister Hans-Dietrich Genscher, while marking a decline in the power of Mr. Strauss and the Christian Democratic right wing. That has prompted efforts to improve Bonn's ties with Moscow, where Mr. Kohl had been treated with far greater coolness than other West European leaders.

Its most immediate effects, though, almost certainly will involve West German efforts to foster support within NATO for speedy pursuit of a U.S.-Soviet agreement on the removal of intermediate-range nuclear missiles from Europe. West Germany has certain reservations about recent Soviet initiatives. These concerns involve verification and a desire to include in any agreement short-range nuclear missiles capable of hitting West Germany.

THE Kohl-Genscher coalition, anxious to claim the political credit with the West German public, seems certain to be in the forefront of NATO countries pressing Washington to move full speed ahead on testing the possibilities of an agreement with Moscow.

However, other aspects of the larger East-West picture could cause some minor frictions between the two allies. As part of Bonn's opening to the East, the Christian Democratic mayor of West Berlin, Eberhard Diepgen, has invited the East German leader, Erich Honecker, to visit the western side of the city next month to mark Berlin's 750th anniversary, and that has caused some qualms among U.S. officials about a precedent that could weaken American, British and French control over the western sectors of the divided city.

Friction is also possible in the arms-control field. Bonn regards the U.S. decision last year to halt voluntary compliance with restraints of the unratified Strategic Arms Limitation Agreement as a hindrance to hopes for an agreement on reducing intercontinental nuclear missiles.

And, while Bonn remains a loyal supporter of research into President Ronald Reagan's Strategic Defense Initiative, it has made no secret of its concern about the administration's move toward a "broad interpretation" of the 1972 Anti-Ballistic Missile Treaty as a prelude to American testing of space weaponry.

Perhaps the greatest of all West German concerns involves the paralysis that has beset the administration as the result of disclosures about arms sales to Iran and diversion of funds to Nicaraguan rebels. West German officials make no secret of their fear that a U.S. government forced into a defensive, inward-looking posture will be unable and unwilling to offer the leadership needed by the Atlantic alliance to test Mr. Gorbachev's calls for openness and reform of the Soviet system and to see whether it offers possibilities not only for arms control but for détente across a broad range of East-West issues.

JOHN M. GOSKHO is a diplomatic correspondent for The Washington Post.



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Testing Market Strategies

Firms Push To Grow in U.S. Market

By Edward Roby

Bonn — Three years ago, when the dollar was soaring toward 10-year highs against the Deutsche mark, dozens of U.S. manufacturing companies simply abandoned the West German market as their exports became unprofitable.

Now, the tables have turned with a vengeance. The dollar has lost roughly half its value against the mark and the West German export boom has passed its peak. But there has been no such corresponding exodus of West German companies from the vast U.S. market.

Quite the contrary, West Germany's export-oriented industries are pushing ahead with expansion plans in the United States. In Mannheim, the Dinsldorf-based steel pipe and engineering company is currently shopping for a new U.S. acquisition to complement the five production facilities and numerous trading outlets it already has in the United States.

The typical U.S. company, to the extent that it pays heed to export potential at all, is likely to make its efforts in a foreign market contingent upon a swift return. Thus, 60 U.S. companies simply pulled out of West Germany in 1984, when they concluded that the high dollar had made their products too pricey, said John Brennan, chief of the Frankfurt-based American Chamber of Commerce in West Germany.



Packing up: Worker stamps Roland offset press for shipment.

merce, overtaking the United States last year in value of exports. And unlike the third-place Japanese, whose yen has risen in value against the dollar almost exactly in step with the mark, the West Germans have not had to cope with a sudden spate of business failures and job losses caused by stalled exports.

Japan has been hit harder because around 40 percent of its total exports go to the United States compared with only 10 percent for West Germany. And while U.S. sales slipped marginally last year to \$5.2 billion Deutsche marks (\$30.33 billion) from \$5.5 billion DM in 1985, the West Germans managed to shift some exports to the European Community, where France was already their largest customer.

West Germany achieved a 110 billion DM foreign trade surplus last year, but Hanns Christian Schroeder-Hohenwarth, president of the German Banking Federation, told reporters at his organization's annual March meeting in Bonn that this "will decline in both real and nominal terms this year."

Schmidt, deputy director of Industriekreditbank AG-Deutsche Industriebank, in an analysis of the West German-U.S. trade imbalance. Commenting on the flood of imports during the German Banking Federation meeting, Deutsche Bank Co-Chairman F. Wilhelm Christians said, "We have done exactly that which the Americans had demanded of us."

Even if West Germany were to artificially stimulate its economy, as the United States has suggested, this would have a negligible impact on the demand for U.S. export goods under the circumstances, Mr. Schmidt argued. Moreover, he said, U.S. protectionist barriers or self-imposed export restraints by U.S. trading partners would only frustrate domestic demand in the United States.

The figures on bilateral trade over the past five years show that West German exports to the United States climbed from 28.1 billion DM in 1982 to 55.2 billion DM last year. But imports from the United States remained little changed at around 28 billion DM.

Porsche Has Learned to Cope With Dollar

STUTTGART — Porsche AG is an extreme case of a West German company that depends on the U.S. market. It has learned to cope with currency fluctuations.

American sport car enthusiasts have been the main customers since the 1950s. Until the collapse of the Bretton Woods monetary agreement in the early 1970s, the dollar usually fetched close to 4 Deutsche marks, and exchange swings were scarcely a factor in marketing calculations.

Price may still be no object in the U.S. luxury market, but availability of other products has made the currency fluctuations of the past 10 years a competitive factor for Porsche.

During the 1950s, '60s and '70s, Porsche sold, on average, half of all its cars to Americans. Now, that figure has climbed to more than 60 percent.

"Naturally, the dollar rate is vitally important for us," said Manfred Jantke, a Porsche spokesman. "In the far years, we have earned plenty on exports." But since February 1985, when the dollar touched a high of 3.47 DM, the U.S. currency has lost close to half its value against the mark.

ive products during boom years and places its capacity at the disposal of other companies under contract when business is thin. The company still regards the United States as its biggest growth market. Domestic sales have retreated to around 15 percent of production and the rest is exported to Britain, France, Swit-

zerland and Japan. The company hopes to increase sales in Japan from 1,000 to 3,000 cars in the next three or four years, Mr. Jantke said.

Porsche's figures for the first half of this fiscal year further demonstrated the ravages of the dollar-mark rate and stagnating domestic demand. It said turn-

over sank 6 percent to 1.71 billion DM from the year-earlier 1.82 billion DM. Domestic deliveries declined 39 percent to 3,267 from 5,397. Foreign deliveries were up 5 percent to 22,002, raising the export quota to 87 percent.

Edward Roby

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Advertisement for Messe Frankfurt. The headline reads 'We don't have to look for markets for our special-interest events. They've found us already.' The text describes how special-interest fairs in Frankfurt are catalysts of innovative market processes. It lists various types of fairs, such as '57, interest 5.4-7.4, 1987' and 'MICRO-COMPUTER '87'. The advertisement concludes with contact information for Messe Frankfurt, including a telephone number and a fax number.

# Media Firm Starts Expanding Abroad

By Vivian Lewis

**G**ÜTERSLOH — It was 531 years ago that the first book was printed with movable type, the Bible of Johann Gutenberg. In March 1987, a further breakthrough for German Bible studies was announced at the Hannover CeBIT computer fair: a compact disc read-only-memory (CD-ROM) that gives scholars multimedia access to the Martin Luther translation and the Hebrew original, using any key word or phrase, in word, picture and sound.

The CD-ROM Scripture is the product of the German Bible Society and Bertelsmann AG.

Bertelsmann, headquartered in this tiny town famous for its pumpernickel, is a little-known family-controlled group, which used to be in the publishing business but now rightly calls itself a media concern. From this provincial place is run a multinational group with interests in books and the press, book clubs, records and tapes, electronic media, radio, TV and film, video and software.

Depending on the dollar exchange rate, Bertelsmann ranks among the top three media companies worldwide, and certainly the largest to Gutenberg's homeland, with 1987 expected sales of 10.2 billion Deutsche marks (\$6.66 billion). Cash flow this year, as last year, is expected to be about 456 million DM. (Net profit figures are not published.)

Thanks to control of the Bantam and Dell paperback houses, Doubleday Books, RCA music and tapes — the last two acquired in late 1986 — Bertelsmann is clearly as important in the United States as in West Germany. An indirect U.S. subsidiary, Brown Printing, prints Time and Newsweek. Bertelsmann's U.S. sales overall this year will account for 30

percent of the total, West Germany for 40 percent and the rest of Europe for 26 percent.

In the book publishing, book and record club, and music and video businesses, three-quarters of the group's sales will be outside West Germany.

In addition to its U.S. investments, Bertelsmann has taken a 15 percent stake in Compagnie Luxembourgeoise de Télévision, parent of Radio-Luxembourg, and has a 39 percent interest in RTL-Plus in West Germany.

Bertelsmann's international expansion is partly motivated by the problem of buying media companies within West Germany. Tight control of takeovers by the West German Car-

## Privately owned Bertelsmann avoids public ire.

tel Office has hampered the company's domestic expansion.

The German public is not buying many more books. The growth in book-buying since 1982 has been concentrated on paperbacks (where there is a lot of competition) and on some types of textbooks. In 1985, the last year for which data exist, West German bookstores sold 13,033 million books, down from 13,857 million in 1984. Export book sales to other countries (notably Switzerland and Austria) dropped more sharply in the same period, and domestic book club turnover fell 6.1 percent.

However, Bertelsmann pushed up its book and record club turnover by 6.9 percent in the year to September 1986 to 1.93 billion DM, making it both the second largest and most successful division of the company (before the U.S. acquisitions). Bertelsmann book and record clubs had 16 million members in 19 countries at the end of last fiscal year, now joined by the largest U.S. juvenile book club.

Magazine publishing in West Germany, as elsewhere, is fighting for a share of a declining market. The result has been a proliferation of new magazines, created in an effort to find a niche in the crowded field. Bertelsmann has been one of the more successful players, with Prima, Flora, Gutes Essen, Geo and Capital magazines (and with Parents and Young Miss in the United States).

Despite the oom titles, however, Gruner & Jahr, Bertelsmann's magazine division, its largest, only chalked up a 3.2 percent sales increase last year to 2.43 billion DM.

Being a private company — controlled by Reinhard Mohn, 65, a descendant of Carl Bertelsmann, who founded the firm in 1835 — helps give Bertelsmann its special character. The first book Carl Bertelsmann published in Gütersloh was a hymnal, and the company retains a powerful position in religious publishing. Privately owned, provincial and religious, these factors give Bertelsmann its strength — and weakness.

Not having to focus on bottom-line profitability and annual comparisons, which are simply not published, enabled Bertelsmann under Mr. Mohn to take strategic positions regardless of the short-term costs. The 1977 acquisition of Bantam Books from sellers in Italy's Agnelli group demonstrated that Bertelsmann could act quickly. When General Electric acquired RCA and was looking for someone to take over

its records and tapes business, Bertelsmann was ready.

When Gerd Bucorius, publisher of the general-interest magazine Stern, was looking for a way to ensure that his privately owned Gruner & Jahr group would continue to exist, he turned to Gütersloh and arranged a share exchange. With 11 percent of the action, Mr. Bucorius is the only shareholder besides the Mohn family. The West German Cartel Office refused to allow a complete merger.

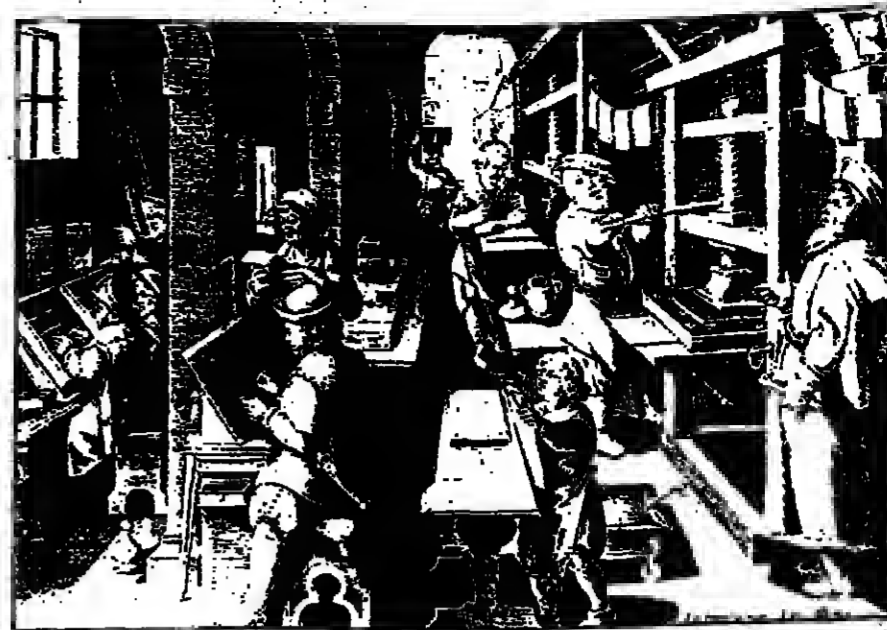
It is because of its private character that Bertelsmann has avoided the kind of public ire that falls on press magnates in other countries. How many Germans are aware that Bertelsmann is the largest magazine publisher in West Germany, controls the Gruner & Jahr magazine group and is the largest shareholder in the news magazine Der Spiegel?

Bertelsmann owns a 24.9 percent stake in Der Spiegel, which, however, is effectively controlled by staff reporters. Meanwhile, part of the family that controls the Burda magazine group picked up the 24.9 percent stake in Springer publications refused to Bertelsmann.

These minority cross holdings are the result of official trust-busting, which has prevented the complete takeover of these newspaper-magazine groups from within the industry.

Both Burda and Bertelsmann are essentially apolitical groups, which, while it has not reassured the cartel office, has enabled them to expand internationally without raising fears of German cultural imperialism.

Burda is breaking up not because of anti-trust action, but because of sibling rivalry. One family branch, F&F Burda KG, which stands for brothers Franz and Frieder, has a 50 percent joint venture in the United States with Meredith and holds the Springer shares. Another branch, brother Hubert's Burda GmbH, publishes a rival to Stern called Bunte, as well



Engraving depicting a 15th century print shop.

as a host of magazines, including Burda France magazine and patterns. Still another company, Aenne Burda GmbH & Co., belongs to the three brothers and their mother. (It just pulled a world publishing coup, getting permission to issue its fashion and pattern publication, Burda Modem, in the Soviet Union.)

Bertelsmann's owners have drawn the obvious lesson from the Burda feud. Their company is to be turned into a foundation upon the death of Mr. Mohn, although this great-grandson of the founder has six children.

Control of the company is indirect, given the large number of independently managed subsidiaries in 20 countries. But there is a house style all the same. "If divisions publish the wrong sort of books, management makes its displeasure known," one official said.

For example, managers of the firm's video subsidiary were ordered to drop some sexually explicit lines. Perhaps because of company constraints, Bertelsmann music-video is losing market share — last year, sales fell 23 percent.

A cautious, morally uplifting provincial tone is not always the best way to sell books. Having published Leo Iacocca's best-seller in the United States, the Bertelsmann group let the opportunity slip and failed to sign up the German edition. A rival is doing very well with it.

In recent weeks, Bertelsmann has made another acquisition that breaks new ground: a newspaper called the Hamburger Morgenpost, its first daily. In a city where 80 percent of the press is controlled by the Springer group, the entry of Bertelsmann counts as a challenge.

# On Stock Exchange, It Helps to Be Insider or Eccentric Contrarian

**F**RANKFURT — The classic facade of the Frankfurt stock exchange building is being cleaned and remodeled. The working crew may only make noise during hours when the exchange is not working, but their fences are there all day. Luckily, the exchange is open only from 11:30 A.M. to 1:30 P.M., which means that reconstruction can go forward precisely because trading is so short.

In West German stock exchanges, timing is everything, and it helps to be an insider or an eccentric contrarian.

West German stock market averages, after doing well in 1985, sagged to 1986. The only investors who came out well are those whose currency is not the Deutsche mark, who bought when the mark was weak and sold when it had strengthened. In dollars, therefore, you would have made 18 percent to West German stock markets in 1986 — but in Deutsche marks you would have lost 10 percent.

These days, buffeted by concern over Volkswagen's foreign-exchange losses, the West German markets are near their low of 1986-87

(1677.6 on the index, compared to a high of 2278.8). But apart from that accidental factor, the markets were headed downward already.

West German companies are big exporters, beating even the Japanese. As the dollar sinks, most West German banks expect corporate profits to be put under pressure from suddenly cheap U.S. competition. When corporate profits fall, stock market operators are bearish.

To overcome that problem, West German banks are waiting for some other factor to come into play to bolster profitability, such as strong domestic demand from a tax cut or a further cut in interest rates.

Moreover, foreign investors, who account for about 30 percent of the trading, are hardly likely to increase their holdings in West Germany if they listen to German banks: If the mark falls, improving corporate profits, foreign investors will lose on the currency exchange.

In West Germany, it is only through banks that one can buy or sell shares, as separate brokers do not exist. Rüdiger von Rosen, executive vice-chairman of the Association of Ger-

man Stock Exchanges, explained: "We don't need 'Big Bang' liberalization. In Frankfurt it is 400 years old."

Some West German forecasters, notably the respectable Kiel Institute, expect 3.5 percent growth of output this year. And the Organiza-

## 'We don't need "Big Bang." In Frankfurt it is 400 years old.'

tion for Economic Cooperation and Development does not expect West German trade surpluses to fall below last year's \$25 billion. German investors "like to look at fundamentals," according to Berndt Johann of the stock market newsletter Platowbrief. But they may be misreading the fundamentals.

Many West German shares are at bargain level. German companies use accounting techniques to persistently understate their earnings. One reason is that West German accounts produced for shareholders have to correspond to those produced for the tax inspectors. One

cannot report more income to shareholders than one reported to the tax authorities. As a result, write-offs are taken in one single year. Pension liabilities are not accounted for separately and are used to offset reserves created in order to cut taxable income. To economize on taxes, West German companies have hidden

reserves, often equal to 100 percent of fixed assets.

Companies engaging in a takeover may not put "goodwill" into their balance sheet, so they understate the increase in equity that results. Inventories are understated for tax purposes and are not revalued upward if prices rise lest there be tax consequences.

Although the situation is changing somewhat, the West German market is still one for "professional investors" and thus differs from the New York, London and Tokyo markets.

Being forced to deal with banks on the exchange floor makes the environment more difficult for West German companies. They are encouraged to further retrench by the fact that the same huge banks trading their stock are also usually holding their loans.

One reason small investors stay out is that West German markets are relatively unregulated. Insider trading, for example, is controlled only by a voluntary code that applies to corporate officers but not to others in the know. The stock exchange has a committee, headed by a retired judge, to punish abuses with public

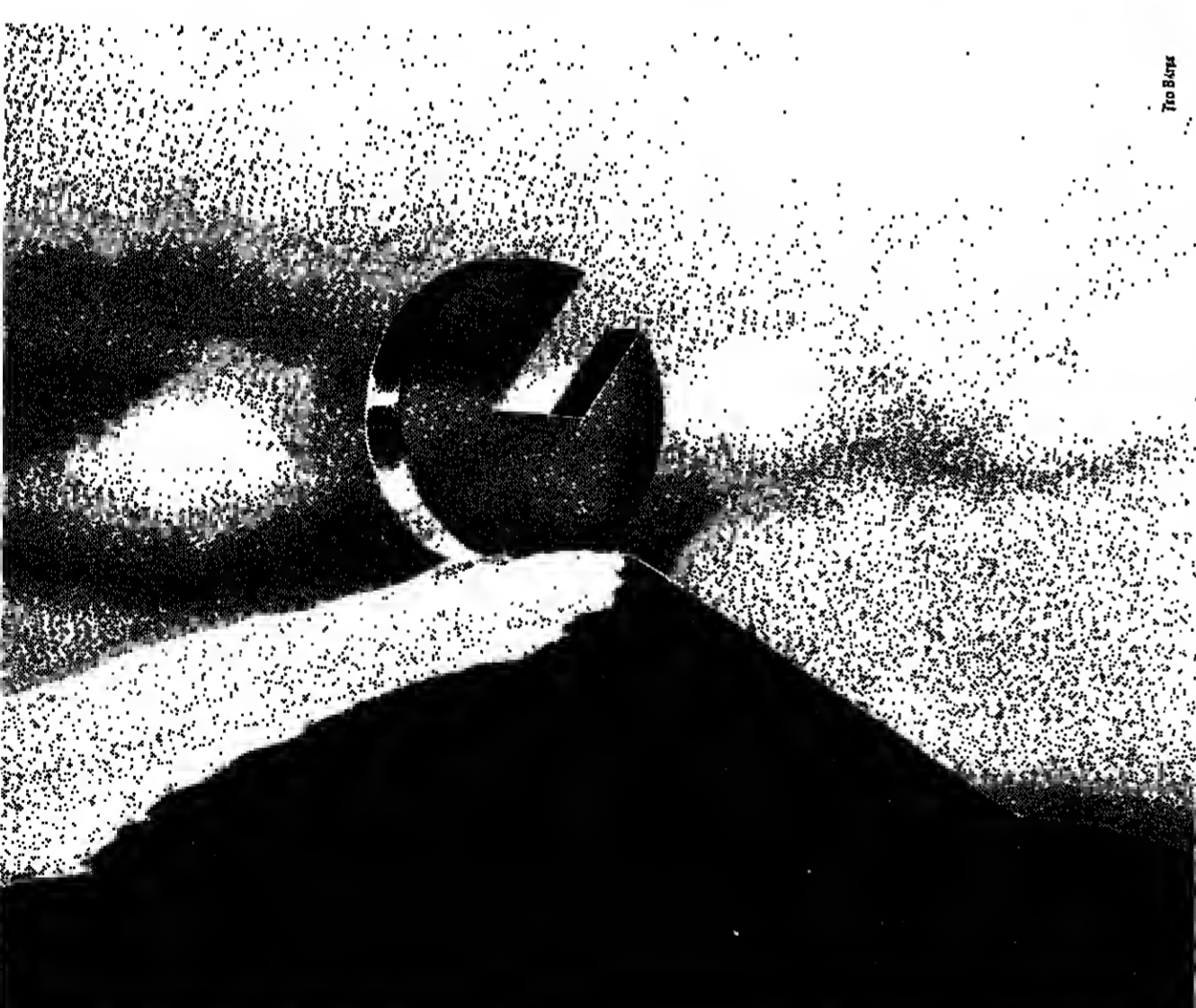
scrutiny and a requirement that the offender repay what he made. But it has no real investigative powers.

West Germany has recently had a wave of new issues, and it will probably pick up after May when a new "second market" is set up on the exchanges. (In addition to official listing, West Germany already has an unregulated "telephone" market and over-the-counter trading, but the new market will be more official.)

A drain on the eight West German exchanges is the government's inconsistency about removing the turnover tax, kept in the current budget despite promises during the election campaign. The tax raises 750 million DM (\$415 million), according to Mr. Rosen — but its effects are costly.

"We are really mad at the government," he said. "We have 250 foreign banks in Frankfurt but ones thinking about coming — like Goldman Sachs — brought out quite clearly that the turnover tax to Germany counters the attraction of coming here."

Vivian Lewis



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Political Scene

# W. Germans at Top Of Ecology Scale but Plagued by Acid Rain

## West Germany is without a doubt the most environmentally politicized country in Europe.

By Thomas Netter

GENEVA — When the European Commission wrote to all EC members recently assessing compliance with its environmental regulations, West Germany came out as more obedient than Britain, Italy, Belgium, Greece and France, despite its reputation as the ecologically worst off in Western Europe.

But West Germany, hardest hit by the Waldsterben, or dying forest syndrome of acid rain, and a victim and perpetrator of pollution of the Rhine River, is at once an example of what is environmentally right and wrong in Europe during the European Community's "Year of the Environment," which began March 21.

Environmentalists say that now is a good time for Europe to take a comprehensive look at its environmental problems. By any standard, 1986 was a bad year, with the Chernobyl nuclear plant disaster, the fire in November at the Sandoz chemical plant in Basel, Switzerland, that badly polluted the Rhine, and, by all accounts, worsening acid rain damage throughout Europe.

Nowhere have these onslaughts against land, air and water been felt more acutely than in West Germany. The rapid expansion of industry, an obsession with heavily polluting, high-speed driving and a romantic notion linking national identity to forests, mountains and the mighty Rhine have made West Germany Europe's most environmentally conscious nation. It is also the main battlefield in the debate over nuclear power.

"West Germany is without a doubt the most environmentally politicized country in Europe, partly because the Greens political party has had such a success," said Adam Markham, director of Friends of the Earth in London. "The West German people put ecology very high on their agenda."

unemployment as an issue, unlike Britain or Italy. In addition, he said, rapid post-World War II industrialization and economic recovery had ravaged the German landscape to the point where Waldsterben gained prominence as an issue years before it did in the rest of Europe.

"In Germany, the environmental groups tend to stress more emotion than figures," he said. "You find that most of them look at this issue in an emotive way. When people could see Waldsterben cutting into the German soul, the love of forests based on literature and history, it went right to the center of the national feeling."

It is this sort of consciousness that allowed West Germans fearful of radiation damage to let vegetables rot in food stalls long after the Chernobyl accident.

And it is a lack of this sense of environmental crisis that has so far generally muffled broad national concern over the environment in societies like France, where ecological disaster is still seen widely as someone else's problem.

"The problem of acid rain is for the moment specifically to the east of France," said Jean-Baptiste Dumont of the World Wildlife Fund-France office in Paris. "The French public is really not so aware of the problem. They understand that something is happening, but they don't see it."

In West Germany, there is a feeling that the rest of Europe is only now beginning to match this sensitivity to the environment, giving the impression that West Germany's situation is far worse than it really is.

"Is Germany the worst in Europe?" mused Rosemarie Oswald, an official of the World Wildlife Fund-Germany in Frankfurt. "Maybe. But I think the problem is that other countries have only lately begun to recognize the problems they have."

STILL, environmentalists say West Germany as well has been slow in reacting adequately. Speed on the autobahns is still unlimited, spurring excessive nitrogen oxide from exhausts into the environment. And though the Greens gained seats during January's elections, Mr. Markham fears rising unemployment could diminish concern over the ecology at a time when such concern should be rising.

Groups like the World Wildlife Fund and Friends of the Earth hope that this "Year of the Environment" will help raise Europe's consciousness over environmental issues, especially because of what Miss Oswald describes as a sense of weariness or indifference to the issue that may be setting in.

"People really are very concerned," she said. "But it's always a problem that they can become easily overburdened with. Acid rain has not changed, but has gotten worse. Unfortunately, some people are fed up with the subject. It's very difficult to repeat this point again and again."

THOMAS NETTER is a journalist based in Geneva.

## Political Postcard



"I remain Chancellor."  
— Helmut Kohl, CDU



"A normal nation again."  
— Franz Josef Strauss, CSU



"To grow you always need time."  
— Joechka Fischer, Greens



"Nor weapons in space, but bread for people."  
— Johannes Rau, SPD



"Greatest foreign minister of all times."  
— Hans-Dietrich Genscher, FDP

On Saturday, May 23rd  
Come to Bad Homburg  
(Outside Frankfurt), West Germany, for

# \*THE COUPE GORDON BENNETT

The vintage car event of the year, organized by the Automobilclub von Deutschland (AvD) and sponsored by the International Herald Tribune as part of its centennial celebrations.

The rally will feature vintage cars from all over Europe and will be held over the same course, through the beautiful Taurus countryside, as the Gordon Bennett Cup race of 1904, when Kaiser Wilhelm II gave the official start before a crowd of one million enthusiastic fans.

It will be a memorable day. So, if you are within striking distance of Frankfurt, be sure to come and bring your family and friends. The official start will be at the Bad Homburg "Kurpark" at 9:00 a.m. and the finish will be in the afternoon between 2 and 5 p.m.

James Gordon Bennett, Jr., the eccentric millionaire publisher, founded the European edition of his New York Herald Tribune on October 4, 1887. He was a keen enthusiastic sportsman. He introduced polo to the United States; he won the first transatlantic yacht race; he was the founder of automobile racing and of balloon racing. The Gordon Bennett Cup, which he first offered in 1900 to encourage the infant automobile industry, was the direct precursor of today's international Grand Prix races and was the object of enormous popular enthusiasm at the time. The trophy, which was officially known as the "Coupe Internationale Automobile" in line with Bennett's policy of forbidding use of his own name in the pages of the Herald, today stands in the Automobile Club de France in Paris.



INTERNATIONAL Herald Tribune



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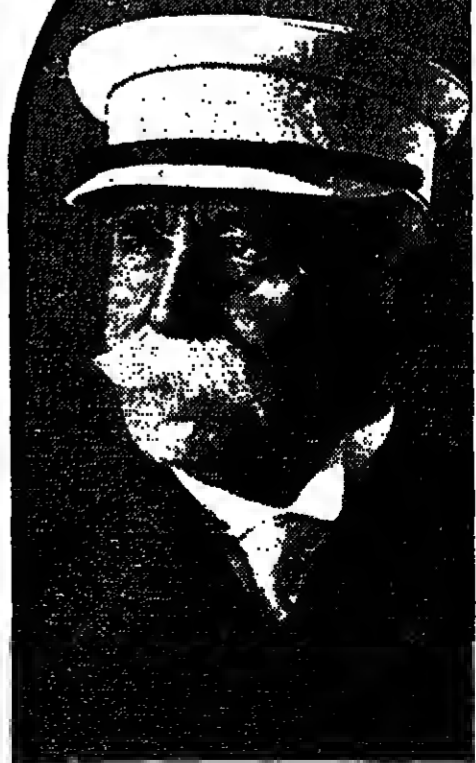
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Where money is productive

# Landesbank Stuttgart



Business Battles

# For Adidas, Puma, the Real Fight Is Abroad

By Vivian Lewis

**H**ERZOGENAURACH — The sports shoe industry in West Germany used to be able to afford a few luxuries. But in the age of America's Reebok they may have to retrench.

Based in this quiet Bavarian village a few miles from Nuremberg are two world-class companies making sports shoes, Adidas and Puma. Both are controlled by rival branches of the same Dassler family from opposite sides of the Aurach River.

The family has kept a global feud going between Horst Dassler (Adidas) and his first cousin Armin and Gerd Dassler (Puma), after it had begun between their fathers, who did not speak to each other from 1948 (when Puma was set up) until they died.

Both companies managed to turn a product most people think should be cheap — sneakers — into a world business with high prices. They did this in spite of the strong mark and high German wages.

Several factors enabled Adidas and Puma to compete successfully all over the globe. Both companies specialized in creating shoes that gave the wearer an edge in practicing a sport, with high-tech innovations, above all in soles, and with an extraordinary proliferation of different shoes for different sports.

It would not do to wear marathon-running

shoes if one was running only 500 meters. Technical advances in weight-reduction and ventilation, cleat-fastening and arch and ankle supports were claimed by both houses.

To give their claims more weight, Adidas and Puma scoured Germany and the world to find stars to wear their products. Given the rivalry between the two clans, the signing of

Spain's Fernando Romey's size 22 basketball shoes, neither firm manufactures much in Bavaria. Europe accounts for only 20 percent of Puma's production, while Adidas lines are often made in conjunction with the Canadian-owned Bata Company, the world's largest maker of shoes, in developing countries.

Both firms have tried to become sports fash-

ioned up its lead by adding enough sales to bring it over \$1 billion, as well as more capacity in special sports shoes as well.

The Reebok phenomenon has had a ripple effect in Herzogenaurach. Puma, which publicly issued its shares last July, a month later had to announce a major reshuffle in the U.S. market, whereby it bought out its formerly independent distributors. This year, its founding family had to pour in 62 million Deutsche marks (\$34.4 billion) in new capital with a subordinated loan. Even more, it has added an outsider, Vinzenz Grothgar, a former banker, to the managing board and has appointed him head of its new U.S. subsidiary in Framingham, Massachusetts. He is now supervisory board chairman.

The main reason for the move was the drop in Puma's U.S. sales from \$179 million in 1985 to \$100 million in 1986.

A shareholder suit is being brought against the firm and its lead underwriter, Deutsche Bank, for misrepresenting the state of its books at the issue.

Over at Adidas, things are probably not much more successful, but because it is a family concern, events are less public. It has laid off 450 workers in Germany and announced that while production under license had stagnated, its own-plant sales had grown by 6 percent to 3.2 billion DM worldwide. Total sales of its label amounted to 4.1 billion DM, level with 1985. It, too, was hurt in U.S.

Competitor Reebok is growing by leaps in the key U.S. market.

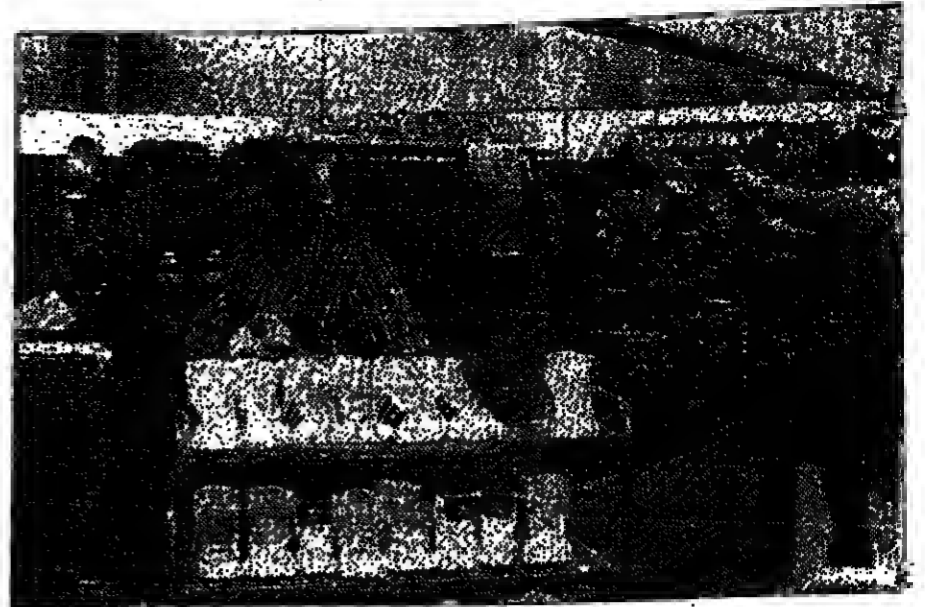
athletes was ruthless and remunerative, as was revealed in Toni Schumacher's recent book in which he told how he lost his job with Cologne's soccer club for wearing the wrong brand of shoes.

Adi Dassler was in the sports-shoe business first, starting in 1920, and created shoes with the famous striped sides starting in 1935, although the Adidas company was only established after the break with Rudolf in 1948.

Both firms manufacture worldwide, with production plants meeting their high quality-control standards in low-wage areas, notably Southeast Asia. Except for special orders like

ion houses by offering coordinated sports clothing, and, in the case of Puma, even sports cosmetics.

But Reebok, with headquarters in Canton, Massachusetts, is growing by leaps and bounds in the key U.S. market, centering its thrust on the West Coast where sports shoes are more popular. Reebok's tactic is playing down the high-tech sports angle and focusing on pure fashion. Reebok sales in 1986 topped \$919 million (compared to \$307 million in 1985) and its profits soared from \$39 million to \$132 million. With its recent takeover of Avia, another U.S. sports-shoe house, Reebok has



On the Adidas assembly line: Production reaches 280,000 pairs a day.

sales volume, which fell by 6.9 percent in dollars — and by even more in marks, Adidas, too, absorbed its formerly independent U.S. distributor.

Mr. Grothgar insists that what went wrong for Puma in the United States will not recur now that the firm no longer has independent wholesalers.

"They misinterpreted the 1986 trend in the shoe industry, as far as style, as far as price segments go," he said. "They ordered the

wrong kind of shoes in too large quantities." Over at Adidas, they predict a double-digit increase in U.S. sales in 1987.

Mr. Grothgar also insists that the Puma concern is financially viable and that it has no need of a capital injection by letting in partners like Reebok — or even Adidas.

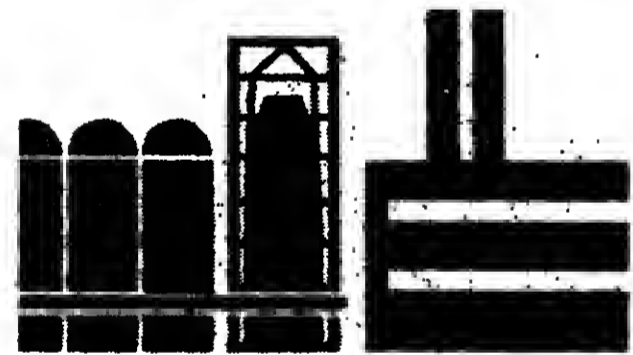
"Our debt-to-equity ratio is a healthy one-to-one," he said. "Our net worth is 180 million DM on a balance sheet of 360 million DM. We could become overcapitalized."

## MANNESMANN DEMAG

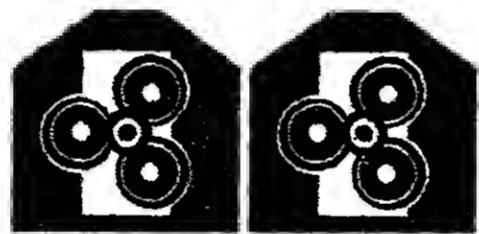
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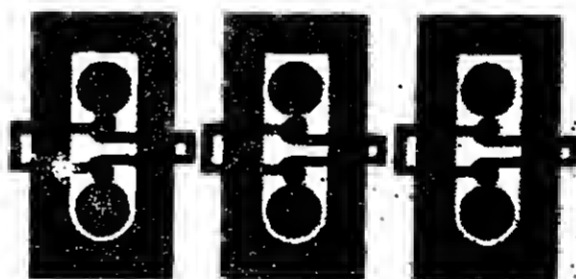
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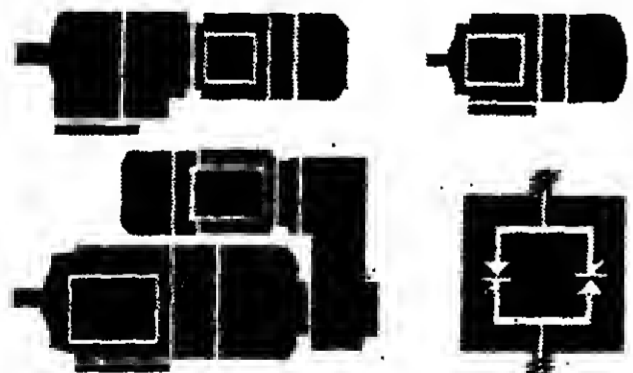
**Pipe Making**  
Plant and machinery for the production of seamless and welded tubes and pipes. Hydraulic presses.



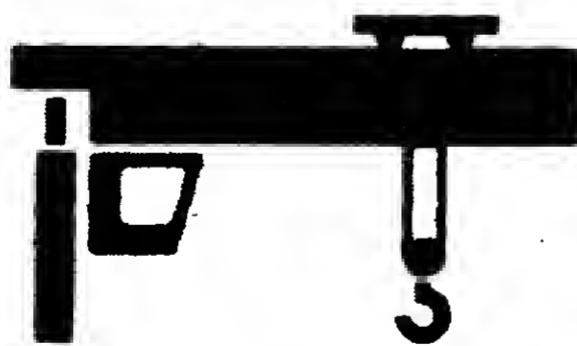
**Rolling Mills**  
Rolling mills for beams, sections and wire rod; strip and sheet mills, strip processing lines.



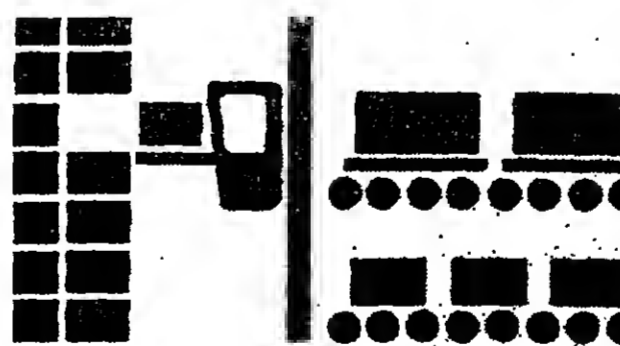
**Process Compressors**  
Centrifugal compressors and positive displacement machines for air and technical gases.



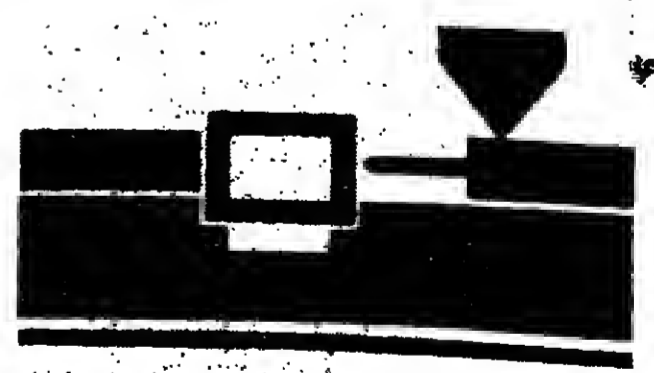
**Industrial Drives**  
Electric drives, control systems.



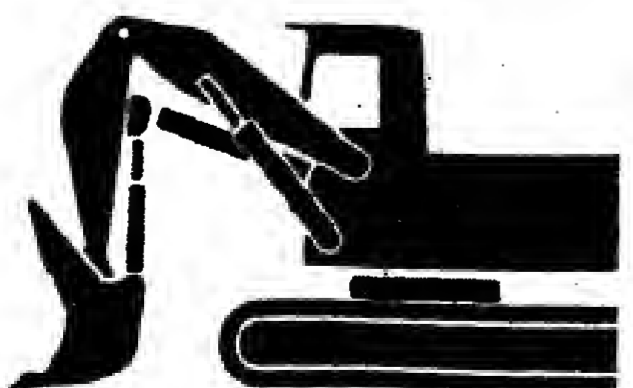
**Cranes and Lifting Appliances**  
Serial lifting equipment, crane components, cranes, electric suspension track systems.



**Systems Engineering**  
Warehouse engineering, warehousing systems, handling and distribution systems, integrated materials handling systems.



**Plastics Machinery**  
Machinery and complete systems for injection moulding.



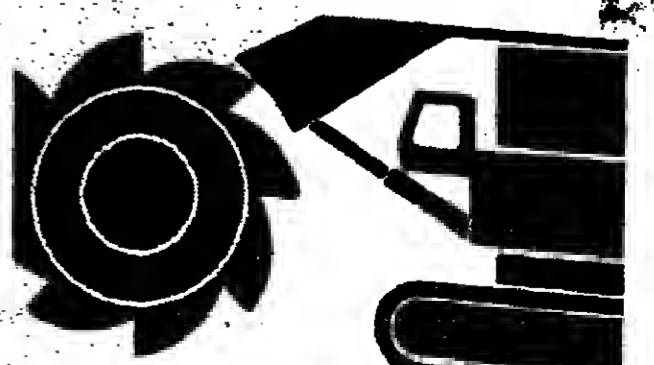
**Construction Equipment**  
Hydraulic excavators up to 21 m<sup>3</sup> bucket capacity, mobile cranes up to 1,600 t, road finishers up to 12.5 m paving width.



**Mining Equipment**  
Shaft winding equipment, tunnelling machines, shaft drills, raise cutter heads, compressed air motors.



**Pneumatic Systems**  
Compressors, pneumatic tools, equipment and components for the building trade and industry in general.



**Bulk Handling**  
Bucket wheel excavators, reclaimers and belt conveyor systems, container handling systems.

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Monday's NYSE Closing

Tables include the notetwelve prices up to the closing on Wall Street and do not reflect late trades elsewhere.

(Continued)

Table of NYSE stock prices including columns for 12 Month High/Low, Div. Yld. PE, 52 Week High/Low, and Close. Lists various stocks like IBM, AT&T, and others.

12 Month High/Low Stock

Table of 12-month high and low stock prices for various companies, including columns for Div. Yld. PE, 52 Week High/Low, and Close.

12 Month High/Low Stock

Table of 12-month high and low stock prices for various companies, including columns for Div. Yld. PE, 52 Week High/Low, and Close.

U.S. Futures

Table of U.S. Futures prices for various commodities like Wheat, Corn, Soybeans, etc.

Grains

Table of Grains futures prices including Wheat, Corn, and Soybeans.

Livestock

Table of Livestock futures prices including Cattle and Hogs.

Currency Options

Table of Currency Options prices for various currencies.

Financial

Table of Financial market data including Treasury bonds and other securities.

Food

Table of Food futures prices including Coffee and Orange Juice.

Metals

Table of Metals futures prices including Copper and Aluminum.

Stock Indexes

Table of Stock Indexes including S&P 500 and Dow Jones.

Commodity Indexes

Table of Commodity Indexes for various raw materials.

Market Guide

Table of Market Guide listing various market indices and their values.

New IBM PCs Expected To Revise Standards, Shake Up the Industry

BOSTON — International Business Machines Corp. is widely expected to shake up the personal computer industry on Thursday when it presents a new generation of desktop models.

Company Results

Table of Company Results showing revenue and profit for various firms.

NYSE High-Lows

Table of NYSE High-Lows for various stocks.

Paris Commodities

Table of Paris Commodities prices for various goods.

S&P 100 Index Options

Table of S&P 100 Index Options prices.

London Commodities

Table of London Commodities prices.

Spot Commodities

Table of Spot Commodities prices.

International Manager

Company Results (continued)

NYSE High-Lows (continued)

Paris Commodities (continued)

S&P 100 Index Options (continued)

London Commodities (continued)

Spot Commodities (continued)

London Metals

Asian Commodities

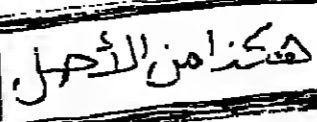
Dividends

To Our Readers

London Metals (continued)

Spot Commodities (continued)

Future and Options



**BUSINESS ROUNDUP**

**Swedish Match Will Buy Wilkinson**

By Juris Kaza  
Special to the Herald Tribune  
STOCKHOLM — Swedish Match AB, the world's leading maker of matches, said Monday that it would buy Wilkinson Sword Group Ltd., second-largest in the field, from Allegheny International Inc.

Swedish Match's president, Hans Larsson, said the company would pay \$160 million in cash for British-based Wilkinson Sword. The official price is \$230 million, but "after settlement of Wilkinson's internal arrangements with Allegheny, the net payment for Swedish Match is around \$160 million," the company said. It did not explain these arrangements.

With a world market share for matches of 7.5 percent, Wilkinson Sword will boost Swedish Match's position on the world market to about 25 percent, Mr. Larsson said. Swedish Match also makes floor coverings and kitchen furnishings.

Mr. Larsson said the acquisition would raise Swedish Match sales by about 2 billion kroner (\$314.7 million) from the current level of more than 10 billion kroner.

He forecast that Wilkinson would also bring about a net increase in Swedish Match's group profits by next year.

"Starting in 1988, we will get a positive effect on earnings, that is, a net after the cost of the acquisition," Mr. Larsson said.

Allegheny International, based in Pittsburgh, announced on March 9 that it was being purchased by an affiliate of First Boston Corp. in a \$500 million leveraged buyout.

Allegheny, a maker of consumer and industrial products that reported a \$166 million loss for the fourth quarter of 1986, said it would now concentrate on the North American market and had signed letters of intent to sell Wilkinson Sword and its Pacific appliance group.

Mr. Larsson, the Swedish Match executive, said that through Wilkinson, Swedish Match would acquire a leading position in Brazil, a big market for matches.

Mr. Larsson explained that developing countries were the fastest growing market for household matches, with matches used not only for smoking and but also for lighting household fires.

The acquisition will also establish Swedish Match in Australia, Canada, Ireland and New Zealand as a major manufacturer of matches, the company said.

In addition to the match business, Mr. Larsson said Swedish Match would acquire an important market position in shaving products. Wilkinson Sword makes the razor blades of the same name; the corporate name is derived from a British enterprise that once actually made swords.

Mr. Larsson also noted that the acquisition of Wilkinson Sword included a South African match subsidiary that Swedish Match intended to sell as soon as it was economically feasible.

**Wallenberg Foundation Raises Stake in Ericsson**

STOCKHOLM — Sweden's Wallenberg group said Monday it had raised its holding in L.M. Ericsson, the telecommunications and data processing group, to 37.5 percent of the voting rights from 28.9 percent.

The move, by the Knut and Alice Wallenberg Foundation, further consolidated control over one of its key firms, analysts said. The foundation now controls 14.1 percent of Ericsson's voting rights with 22.3 percent held by the group's investment companies.

**Woolworth Bids £244 Million for Superdrug Stores**

LONDON — Woolworth Holdings PLC said Monday that it would make a £244 million (\$392 million) bid for Superdrug Stores PLC.

The offer would be made on the basis of 17 new Woolworth ordinary shares for every 20 Superdrug shares outstanding, equivalent to 696 pence for each Superdrug share.

Woolworth said it had received acceptances from the holders of 61 percent of Superdrug shares.

The bid is Woolworth's second attempt in recent months to acquire a retail drugstore chain. Earlier this year, it negotiated a possible bid for Underwoods PLC, but the talks were broken off two weeks ago.

Full acceptance of the offer would involve the issue of about 29.8 million new Woolworth shares, or 14 percent of the enlarged share capital. A cash alternative would offer 646 pence for each Superdrug share.

**Japan Railways to Begin Conversion to Private Ownership**

Agence France Presse  
TOKYO — Japanese National Railways on Tuesday will begin the complex process of converting the 115-year-old debt-ridden network to private ownership.

Six private regional railways — three on the main island of Honshu and one each on the remaining large islands — will take over the passenger service on their share of the country's 20,000 kilometers (12,500 miles) of track.

The high-speed "bullet train" services will be leased to the private lines by a seventh company.

Freight services, data transfer, telecommunications and technological research will be handled by independent private companies.

The Japanese National Railways Liquidation Corp. will oversee the transfers and will be responsible for discharging a large part of its debts and selling its capital assets.

The new private enterprises will operate under a new name, the Japan Railways Group, and will be overseen by the government for an undetermined period of time.

The private owners will face a formidable challenge in justifying the government's decision to denationalize the rail network by getting it out of the red. Japan National Railroad's long-term debts stand at about 37.5 trillion yen (\$250 billion dollars).

The new railway companies will share 11.6 trillion yen of this debt burden. Land and share sales by the new companies and the bullet train lease will account for another 11.2 trillion yen, according to government figures.

That leaves the Japanese taxpayer faced with paying the bill for the remaining 14.7 trillion yen.

Japan National Railway's blue-collar unions, which face the loss of 61,000 jobs under denationalization, blame the government for mismanaging the railroad and sending it deeply into the red.

**Mannesmann Moves to Control Fichtel & Sachs**

DUSSELDORF — Mannesmann AG has reached a series of agreements giving it an indirect majority stake in Fichtel & Sachs AG, a car parts group, Mannesmann said Monday.

The takeover is contingent on approval from the Federal Cartel Office, a Mannesmann spokesman said.

The steel and pipe-making concern is buying 75 percent of the holding company that owns 57.5 percent of Sachs AG, which in turn holds 96.5 percent of Fichtel & Sachs. Mannesmann is also buying a 25.01 percent interest in Fichtel & Sachs from Commerzbank AG and has an option to buy the bank's remaining 10 percent stake, the company said.

In addition, Mannesmann is talking with the state-owned steel group Salzgitter AG on buying its 24.98 percent stake in Fichtel & Sachs. That would give Mannesmann more than 75 percent of Fichtel & Sachs.

The parts company has annual sales of 2.2 billion Deutsche marks (\$1.21 billion).

**Suit Calls BP Bid for Standard 'Inadequate'**

By Lee A. Daniels  
New York Times Service  
NEW YORK — Is the "intrinsic value" of the Standard Oil Co. "materially in excess" of \$70 a share? That is one of the questions raised in a suit contending that a buyout offer by the British Petroleum Co. is "so grossly inadequate and unfair as to constitute a fraud."

Several oil analysts said BP's offer was a good one and they viewed the suit as a routine effort by some shareholders to wring a few more dollars out of a bidder.

Thomas S. Tracey, of John S. Herold Inc., an oil appraisal firm, called the offer "a fair one by our appraisal results."

Mr. Tracey has valued Standard at \$45.30 a share. Other analysts put the company's value as high as \$60 a share.

Frederick P. Leuffer Jr., senior oil analyst at Cyrus J. Lawrence Inc., said that the BP offer was well above most of the other offers made for major integrated oil companies during the 1980s.

The shareholders' suit contends that the BP bid was the culmination of a "preconceived plan" set in motion last year during the abrupt dismissal of Standard Oil's chief officers.

Frank P. Koenig, of Prudential-Bache Securities Inc., said that Standard Oil's stock, which closed at midday on Monday at \$70.50, had risen nearly 60 percent since BP took a more active role. That means, he said, that institutional and individual stockholders were less likely to challenge BP's bid.

BP needs approval from owners of 80 percent of the remaining shares to be able to force all shareholders to accept its terms.

**BASF's Profit Drops 13.5%**

LUDWIGSHAFEN, West Germany — BASF AG, the big chemicals concern, reported Monday that world group pretax profit had fallen 13.5 percent in 1986 to 2.63 billion Deutsche marks (\$1.45 billion).

World group sales dropped to 40.47 billion DM, an 8.8 percent decline from 1985, BASF said.

The company said currency movements, particularly the fall of the dollar, had led to a sharp drop in sales denominated in marks and to price reductions for exports from domestic production.

The oversupply and low prices in world markets for crude oil last year also produced a sales slide in the oil and gas sector and forced price declines for petrochemical products, BASF said.

The fall in pretax profit corresponded to the losses on stocks in the oil and gas sector at the beginning of 1986, BASF said.

In the parent company, BASF said, pretax profit rose by 3.1 percent to 1.97 billion DM.

Parent company sales fell 8.5 percent to 18.72 billion DM, but BASF said this decline was balanced out by increased capacity use and price declines in raw materials.

The group said it expected business to be satisfactory over the coming months. "At the moment we do not expect any extraordinary influences such as there were last year," it said. Orders in hand and new orders were steady at a high level, BASF said.

**Arbed's Earnings Fell 21% in 1986**

LUXEMBOURG — Arbed SA said Monday that profit for 1986 fell 21 percent to 890 million Luxembourg francs (\$23.6 million) from 1985, on an 11 percent drop in revenue to 57.8 billion francs.

The steelmaker said that its board would decide on April 24 whether to pay a dividend. The company has not paid a dividend since 1984.

Arbed reported that in addition to the general deterioration of the steel market, its competitive position had weakened considerably in the second half of 1986, leading to a 7 percent cut in steel output for the full year to 3.74 million metric tons.

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have been placed with a group of investors in the Netherlands

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le mercredi 15 avril à 11 heures et qui aura l'ordre du jour suivant :

1. Recevoir et adopter le rapport de gestion du Conseil d'Administration pour l'exercice clos au 31 décembre 1986.
2. Recevoir et adopter le rapport du commissaire pour l'exercice clos au 31 décembre 1986.
3. Recevoir et approuver les comptes annuels arrêtés au 31 décembre 1986.
4. Arrêter la répartition bénéficiaire de la société.
5. Donner quibus aux administrateurs et au commissaire pour l'accomplissement de leur mandat jusqu'au 31 décembre 1986.
6. Renouveler le mandat des administrateurs et du commissaire pour un terme d'un an devant expirer à la prochaine assemblée générale ordinaire des actionnaires.
7. Divers.

Les actionnaires nominatifs inscrits au registre des actionnaires à la date de l'assemblée seront autorisés à voter ou à donner procuration en vue du vote.

Les procurations doivent parvenir au siège social au moins 24 heures avant la réunion.

La présente convocation et une formule de procuration ont été envoyées à tous les actionnaires inscrits au 30 mars 1987.

Des formules de procuration sont disponibles sur demande au siège social de la société.

Pour le Conseil d'Administration,  
J. PIERSON  
Directeur

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**NOW! Order your ticket on the coupon below. Within days you'll receive the ticket and a personal statement of account and the official schedule of draws, as well as all the relevant rules and regulations. Include payment with your order or pay after receiving your statement of account by personal cheque, travellers' cheque, bank transfer or in cash via registered air mail (at your own risk) or by credit card.**

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First name	Mr. <input type="checkbox"/> Mrs. <input type="checkbox"/>	Please print in block letters.
Surname		
Street		
P.O. Box		
City/Postal Code		
Country		
Change order	Expiry Date:	
Month	Year	
Signature		

Not available to Residents of Singapore.

Monday's AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Via The Associated Press

12 Month High Low Stock Div. Yld. PE St. 100 High Low One Share Chrg

Table A: 12 Month High Low Stock Div. Yld. PE St. 100 High Low One Share Chrg. Includes stocks like ACI, AMCO, AMT, etc.

12 Month High Low Stock Div. Yld. PE St. 100 High Low One Share Chrg

Table B: 12 Month High Low Stock Div. Yld. PE St. 100 High Low One Share Chrg. Includes stocks like BAX, BCI, BDL, etc.

12 Month High Low Stock Div. Yld. PE St. 100 High Low One Share Chrg

Table C: 12 Month High Low Stock Div. Yld. PE St. 100 High Low One Share Chrg. Includes stocks like C, CAG, CCL, etc.

12 Month High Low Stock Div. Yld. PE St. 100 High Low One Share Chrg

Table D: 12 Month High Low Stock Div. Yld. PE St. 100 High Low One Share Chrg. Includes stocks like E, EAT, ECH, etc.

12 Month High Low Stock Div. Yld. PE St. 100 High Low One Share Chrg

Table E: 12 Month High Low Stock Div. Yld. PE St. 100 High Low One Share Chrg. Includes stocks like G, GAT, GEL, etc.

12 Month High Low Stock Div. Yld. PE St. 100 High Low One Share Chrg

Table F: 12 Month High Low Stock Div. Yld. PE St. 100 High Low One Share Chrg. Includes stocks like H, HAI, HAT, etc.

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 30 March 1987

Large table listing various international funds with columns for fund name, share price, and other details.

Other Funds

Table listing other funds such as American International, American Mutual, etc.

AMEX High-Lows

Table showing high and low prices for various stocks on the AMEX.

Floating-Rate Notes

Table listing floating-rate notes with columns for issuer, coupon rate, and maturity date.

DM - Deutsche Mark; SF - Swiss Franc; Cdn - Canadian Dollar; FF - French Franc; Lit - Dutch Guilder; L - Luxembourg Franc; Ecu - European Currency Unit; S - Spanish Peseta; Sfr - Swiss Franc; Y - Yen; AS - Australian Dollar; G - Gibraltar Pound; Hk - Hong Kong Dollar; N - New Zealand Dollar; NZ - New Zealand Dollar; P - Pound Sterling; S - Spanish Peseta; Sfr - Swiss Franc; Y - Yen.

Be sure that your fund is listed in this space daily. Telex: Matthew GREENE at 613595F for further information.

Large vertical advertisement for 'AMEX High-Lows' and 'Floating-Rate Notes' on the far right edge of the page.

CURRENCY MARKETS

DOLLAR: Plunges Below 145 Yen to Postwar Low

(Continued from Page 1)

London Dollar Rates
Cable 1.0000
Deutsche mark 1.6800
Swiss franc 1.4900
Japanese yen 143.50
French franc 1.6600
Source: Reuters

The dollar has become the U.S. government's primary weapon in its dispute with Japan over trade imbalances. The Reagan administration has been pushing the Japanese government for months to stimulate its domestic economy and to ease access to the Japanese market for U.S. companies.

BRUSSELS: End of the Boom?

(Continued from first finance page)

remains unresolved, so investors are still a bit jittery. "Political events may exercise a decisive factor" on the market's 1987 performance, noted the review by Banque Bruxelles Lambert.

JAPAN: Resentment of U.S.

(Continued from Page 1)

And Mr. Nakazawa cited an American study that estimated that eliminating all barriers to the Japanese market would increase U.S. exports to Japan by between \$5 billion and \$8 billion — just about one-tenth of the trade imbalance.

Every country has something to protect," Mr. Kuroda said. "And we are ready to take away these 'something's' if it is reasonable."

U.S. Home Sales Fell in February

(Continued from first finance page)

The Commerce Department said new single-family homes were sold at a seasonal adjusted annual rate of 680,000 units in February after an 8.6 percent decline in January.

TRADE: For Many in U.S., Japan Presents Textbook Case of Unfair Practices

(Continued from Page 1)

And penetration of the Japanese market by U.S. goods has not increased despite repeated "action plans" of the Japanese government aimed at buying more from abroad and raising domestic consumption.

More than half the members of the Senate are co-sponsors of a provision in the Senate Finance Com-

FLIGHT: Attendants Fear Economics May Resurrect 'Coffee, Tea or Me' Era

(Continued from first finance page)

mist say, there is unlikely to be much of a gray train for any airline employee any longer.

Management never really bought into the idea of this job being a career.

(Continued from first finance page)

by women may be the pioneers of the labor movement of the 1980s.

But the unions, insisting on the point, say that most airlines have shunned their efforts to get the U.S. government to test and certify flight attendants.

Monday's OTC Prices

NASDAQ prices as of 3 p.m. New York time.

Table with columns for stock symbols, prices, and changes. Includes entries like AOC, AIG, ALC, etc.

FLIGHT: Attendants Fear Economics May Resurrect 'Coffee, Tea or Me' Era

(Continued from first finance page)

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(Continued from first finance page)

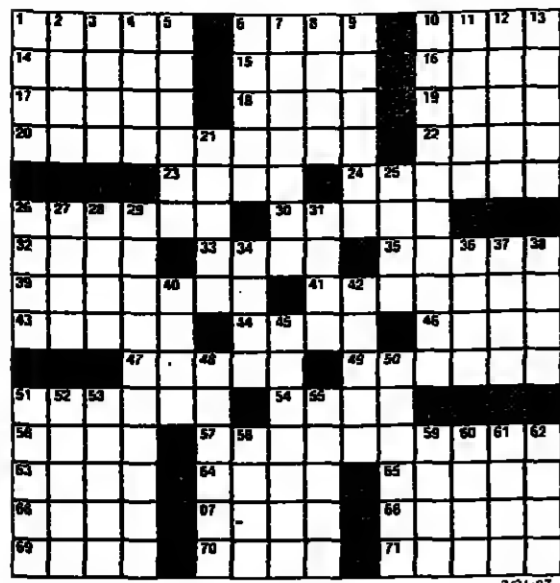
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NASDAQ prices as of 3 p.m. New York time.

Table with columns for stock symbols, prices, and changes. Includes entries like AOC, AIG, ALC, etc.



**ACROSS**

1 Checks  
8 Johnny from Ark.  
10 Heavy, unmusical clang  
14 One more time  
15 Ancient Greek city  
16 Soon  
17 Grayish-white mineral  
18 Family  
19 Actor Holiday  
20 At close quarters  
22 Noun suffix  
24 Ignores  
28 Perfumed pad  
38 Actress  
39 Burstyn  
32 — breve  
33 Extinct bird  
35 Apportion equally  
39 One with a powerful voice  
41 Feral  
43 Cowboy's "Hello!"  
44 Congo — used?  
46 Number of inches in a span  
47 Type of potato  
49 Abrupt  
51 South American plains

**DOWN**

1 Maine port  
2 Taj Mahal's site  
3 Town NE of Paris  
4 category  
5 Scythia part  
6 Hide  
7 Calmed  
8 Connery or O'Casey  
9 "Alcina" composer  
10 Assume responsibility for  
11 Upright  
12 — word

54 Zest  
56 Cry of pain  
57 Everywhere  
63 Official records  
64 Theda of silent  
65 Separately  
66 Noun suffix  
67 Wind; Comb. form  
68 Tibetan neighbor  
69 Ranch employee  
70 — avis  
71 Argentine statesman

20 Like the sound of French vowels  
45 Normas or Moira  
48 Line on a weather map  
50 Let go  
51 Reluctant  
52 Santa (fr. of Calif.)  
53 Affect  
55 Andes animal  
58 Zola novel  
59 Mimic  
60 — Valley, Calif.  
61 Type of race  
62 Embattled city in July 1944

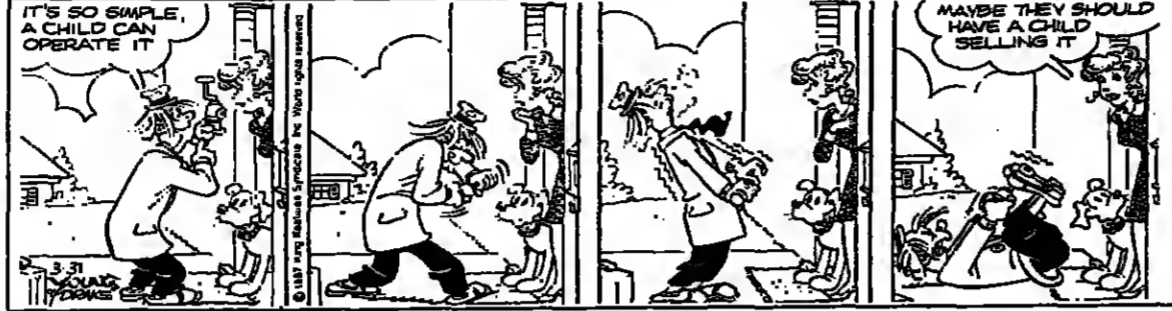
20 What believers fall on  
21 Excel  
25 " — we forget  
26 Cucumber  
27 Ciel or horn precursor  
28 Skein  
29 Closely associated  
31 Boor  
34 Some natural resources  
37 During  
37 Descartes or City  
38 British statesman  
42 Novice  
42 Like the sound of French vowels  
45 Normas or Moira  
48 Line on a weather map  
50 Let go  
51 Reluctant  
52 Santa (fr. of Calif.)  
53 Affect  
55 Andes animal  
58 Zola novel  
59 Mimic  
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61 Type of race  
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PEANUTS



BLONDIE



BEEBLE BAILEY



ANDY CAPP



WIZARD of ID



DENNIS THE MENACE



"I THINK SHE'S WHAT THEY CALL A UNWED MOTHER."

JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

AUZER  
PAWMS  
FUJLED  
YAPNOC

Yesterday's Jumble: BLOOD SHAKY CAVORT GLOOMY

Answer: He won the biggest bet at the greyhound race because he had a "HOT DOG"

WEATHER

Table with weather forecasts for Europe, Asia, Africa, Latin America, North America, Middle East, and Oceania. Columns include location, high, low, and conditions.

REX MORGAN



GARFIELD



World Stock Markets

Table showing closing prices in local currencies for various stock markets including Amsterdam, London, Hong Kong, Frankfurt, Zurich, and others.

BOOKS

MANHATTAN '45

By Jan Morris. Illustrated. 273 pages. \$17.95. Oxford University Press, 200 Madison Avenue, New York, N. Y. 10016.

Reviewed by Michiko Kakuzani

MANHATTAN in the year 1945: One sees the city in grainy black-and-white photographs, a city of elegant spires and skyscrapers, sleek, shiny cars and smartly dressed couples. The war has just ended, and all the gaiety, hope and confidence of the United States is mirrored in the hustle and bustle of this glittering metropolis — a city, as Jan Morris observes, that stood unscathed, at that moment, as "the head, the brain, the essence of America."

It's a wonderful idea for a book — a retrospective look at New York. And while the year 1945 seems, at first, a little arbitrary, the reason for Morris's choice soon becomes clear. The year marked not only the end of the war, but also the beginning of a new era of American expansion and the way lay in the past; the disillusionments of the assassinations, Vietnam and Watergate were in a distant future. For a shining moment, everything seemed possible.

"The moment of grace soon passed — it lasted no more than a few years, and by the mid-1950s was fast becoming hardly more than a regretful memory," Morris writes. "New York was never to lose its excitement, its power to move, its limitless energy; but never again, perhaps, would it possess the particular mix-

ture of innocence and sophistication, romanticism and formality, generosity and self-amazement which seems to have characterized it in those moments of triumph."

There are moments in "Manhattan '45" when the author's breathless prose and unbridled nostalgia for old New York result in a sentimental whitewashing of reality. Racial tensions, immigration quotas and poverty are all shrugged off as matters properly belonging to a later day, and we are expected, instead, to believe in a "comradship which, especially in moments of particular amusement, relief or difficulty, bound New Yorkers together." Still, Morris points out that her book aims less to give us a thorough analysis of the city than to celebrate one of its former incarnations; and in that capacity, it surely succeeds.

Morris has a gift for capturing the mood, the feel, the specific emotional gravity of a particular place; and in these pages, she manages to conjure up the ambience of that vanished era, and in doing so, to also feed us an enormous amount of information and facts.

We learn, for instance, that zoning laws decreasing that "buildings above a certain height must recede from the vertical to leave more open sky" resulted in "the zigzag form which was so characteristic of Manhattan in 1945." We learn that when a B-25 bomber flew into the 80th floor of the Empire State Building, a stenographer fell 76 floors in an elevator, and survived. A Gallup poll reported that 90 percent of all New Yorkers considered themselves happy in 1945, and foreigners visiting the city, Morris adds, frequently remarked upon the good manners of the natives. In those pre-expense account days, she writes, "experienced headwaiters could tell almost to a shyness cocktail hour much a customer was worth," and the social pecking order noted not only the possession of a box at the Metropolitan Opera, but the location of that box ("the ones on the south side being the more desirable") as well.

She leaves us with various mental images of New York: New York as "the town of all towns," the new world capital of commerce and art; "the City of the Future," a marvel of technology and invention; New York as the "Wonder City," the place where nothing is impossible — in short, New York as "the most hopeful city on earth," "the most demanding, the most tolerant" and "the most competitive."

None of these epithets is original, none tells us anything we didn't know before. The charm of this book, however, lies not in any single observation or description, but in Morris's affectionate orchestration of the familiar.

Michiko Kakuzani is on the staff of The New York Times.

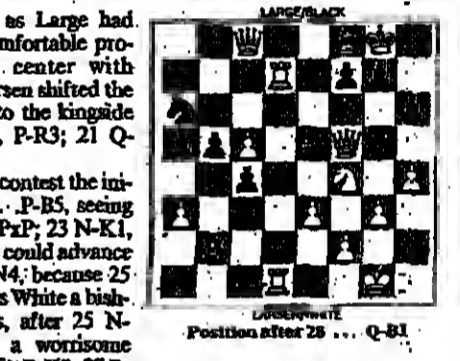
Solution to Previous Puzzle

A crossword puzzle grid with the solution filled in.

CHESS

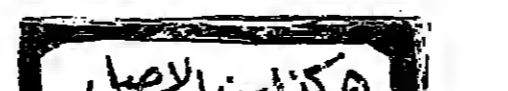
By Robert Byrne

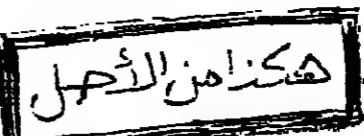
THE 62d running of the Hastings International Tournament in England saw four grandmasters tie for first place — Murray Chandler and Jonathan Speelman of Britain, Bent Larsen of Denmark and Slobodan Prigodan of the Soviet Union. Each finished with 8-5. In Larsen's game with Peter Large of Britain, the Dane turned his opponent's challenging exchange sacrifice into a powerful plan. But he reckoned without the force of Large's attack with 27 R-Q7, R-K2, 28 R1-Q1! One wicked 8... P-P7 was that 28... BxP7 was to be smashed by 29 N-N6! Hastings against Simon Roe. Q7ch, forcing mate.



On 8 P-P7, supposedly safest for Black is the recapture with 8... NxP, which led, after 9 N-B3, B-B3; 10 Q-B1, P-Q3; 11 N-N6, P-N3; 12 P-Q4, NxP; 13 KR-K1, R-K1; 16 Q-B2, B-R3; 15 KR-K1, R-K1; 16 Q-B2, RxP; 13 N-N6; 15 Q-N1, which enabled Large to play for pressure against the black center pawns.

Large tried to contest the initiative with 21... P-B5, seeking that on 22 PxP, PxP; 23 N-K1, BxP; 24 NxB, he could advance with 24... R-Q4; because 25 QxP; R-N2 costs White a bishop. Nevertheless, after 25 N-B4, there was a worrisome threat of 26 N-R5; B-K2; 27 P-Q5. Large thought he had a way to derail Larsen's attack by the exchange sacrifice with 25... R-B4, the point being that after 26 PxR, BxB the black queen-side pawns will soon threaten to advance in a powerful plan. But he reckoned without the force of Larsen's attack with 27 R-Q7, R-K2, 28 R1-Q1! One wicked 8... P-P7 was that 28... BxP7 was to be smashed by 29 N-N6! Hastings against Simon Roe. Q7ch, forcing mate.





SPORTS

The Final Two's Final Step

By William C. Rhoden  
New York Times Service

NEW ORLEANS — At first glance, the national championship game between Indiana and Syracuse Monday night seemed to lack the ingredients for a classic basketball confrontation.

Unlike the semifinal game Saturday between Indiana and Nevada-Las Vegas, the tensions that make for dramatic contrasting styles, clashing systems, the first meeting between two coaching masters — were missing.

But the final promised to be explosive. Indiana and Syracuse are strikingly similar, and the final was likely to have more strategic nuances than either team's semifinal game.

"I think Indiana is similar to St. John's in our league," said Coach Jim Boeheim, whose Syracuse team finished in a three-way tie with Georgetown and Pitt for first place in the Big East Conference this season.

"They are an excellent defensive team, they let you come to them," Boeheim said. "You have to execute well in the half-court offense. You're not going to get transition baskets. We have to execute well in the half-court game, and that is a large order."

In a game that matched teams from the Big Ten and the Big East Conferences for the first time in a national championship, Indiana was favored over a Syracuse team that not many knew or appreciated until last week, when the Orange upset North Carolina.

as Indiana does," said Boeheim. "Alford does a better job of reading the screen than any other player. They just make such a conscious effort. Whoever plays him will have to get help, but he'll have to be very tough-minded and tough physically to play him."

The task of guarding him would fall to one of three people. The candidates are Sherman Douglas, the sophomore point guard; Greg Monroe, the senior guard; or Howard Triche, the 6-5 senior swingman and the team's best defensive player.

"It's going to be tough because Alford runs off a lot of picks and screens," Douglas said. "It will be the team's responsibility to push him and make him earn his shots. He can't have open shots."

Douglas added: "The key to our game will be what's been the key for our season all year — if we can rebound and shoot our free throws."

A key player for Indiana is Calloway, the versatile 6-6 forward. He averaged 13 points and 4.4 rebounds a game this season. Garrett, the 6-10 center, gives the Hoosiers a shot-blocking threat and Keith Smart, a 6-1 junior guard, gives them another elusive one-on-one player.

Indiana was up against offensive diversity. All five Syracuse starters average in double figures, and each has a unique role.

he said. "We try not to go to one or two guys. We've always been balanced at Syracuse, and I think it's difficult to play us and say you're going to stop one or two guys."

Douglas has been the catalyst for the Orange this season and could be instrumental in stopping Alford. But during the tournament, Roy Seikaly, the 6-10 center, has been Syracuse's most important player.

In the tournament, Seikaly has dominated opposition centers with a consistency he rarely displayed during the year and has averaged 25 points a game — 10 more than his season average.

Derrick Coleman, the talented 6-9 freshman forward, will also be important. "Our defense has been better in the last few weeks due to the development of Roy and Coleman," Boeheim said. "The one thing we have this year is two shot-blockers. If you have one occupied, the other one can still be in the area. That's been very important to us."

Depth, once thought to be a Hoosier weakness, has emerged. Joe Hillman, the 6-2 sophomore guard, and Steve Ely, the 6-6 junior forward, have made contributions off the bench. Syracuse has gotten good performances from two reserves, Steve Thompson, the 6-4 freshman guard, and Derek Brewer, the 6-9 junior center.

But in the end, the outcome would be determined by the starters, and to a large extent by how well Syracuse controlled Alford.



Roy Seikaly, the 6-10 center (here going up for two points against Providence), has been Syracuse's most dominant player.



Sandy Lyle, acknowledging applause after winning with a par-saving putt on the third extra hole.

Lyle Wins TPC Golf in Playoff

By Thomas Boswell  
Washington Post Service

PONTE VEDRA, Florida — When Sandy Lyle recalls his victory Sunday in the Tournament Players Championship, he will remember a fantasy chip shot — his hands only inches above the clubhead as he stood in a steep pot bunker — that smacked the flagstick and dove into the hole for a birdie.

He'll also dream about a long putt for birdie on the 72nd hole that put him into a playoff with Jeff Simman. Most of all, he'll relish the memory of a seven-foot (2.13-meter) putt to save par on the third extra hole, which won him \$180,000 and a 10-year exemption to play the PGA tour.

All Simman will remember is the one who got away. He'll remember the jerk who dove into the water beside the 17th green, taking a college kid dare and creating a long, ugly splashing scene, just as the accelerated Simman was ready to hit the most important shot of his career. Distracted and upset, Simman missed the six-foot birdie putt that would have ended the tournament on the second playoff hole.

To make matters worse, Simman will know that the kid who disrupted his peace escaped from security guards and slithered away into the crowd.

"It's one of those you'll never know (situations)," said the 34-year-old 3-foot-7, 140-pound (63.5-kg) veteran player who, at 29, had never finished higher than fifth in a PGA tour event. "I was ready to pull the trigger. I'm not saying I'd have made the putt, but I'm amazed somebody would jump in the water."

After that disappointment, Sim-

man went slack. Both he and Lyle drove into the 18th fairway (the third playoff hole). Both barely missed the green to the back right. Lyle chipped a bit too long, but Simman chipped even more poorly — 10 feet short.

"Chipping is the weakest part of my game," said Simman. "If I were a golfer today, after my chip at 18, I should have made sure I got up the side hill — maybe even put it up the bank to three or four feet. Would have been easy," said Simman. "But I hit my wedge into the bank, which killed it. That put the pressure back on me and took it all off him."

After Simman's miss for bogey, Lyle made what he called "probably the best putt I've made for many, many years."

For Scotsman Lyle, the British Isles' finest player and a wealthy star on the European tour, it was one of the finest days of a stellar career but hardly cause to hyper-ventilate. Asked the difference between this victory and his triumph in the 1985 British Open, he made all Britain proud by saying, without hesitation, "About 120 years. In 100 years, I'm sure this tournament will have that stature, too."

Lyle was always steady, often cautious and a bit lucky as his 57-71-66-70-274 total tied the Tournament Players Club record set by Calvin Peete in 1985. He and Simman (a closing 69) gained ground from the rear as third-round leaders Mark O'Meara (73 / 275) and Scott Simpson (74 / 276) left putts on the lip all day.

All four men were tied for the lead with two holes to play. Lyle and Simman birdied the murderous 18th — one of the toughest holes on earth

— before O'Meara finished with a par and Simpson with a bogey that dropped him into a fourth-place tie with Greg Norman.

Lyle had little doubt which shot really won the day for him. At the 15th, he trailed three men and "seemed about to make bogey." Although he was barely 15 feet from the hole, his brutal chip seemed certain to run at least that far past the cup — if, that is, Lyle got it out of the spinach at all.

"I was thinking, I could be here for ages," he said. "My feet were a foot and a half below the ball. My hands were on the shaft no more than 10 inches from the clubhead. The toe of the club was almost straight up. If it hadn't hit the stick smack in the middle, it goes seven to 10 feet past."

Instead of a bogey and a hopeless deficit, Lyle was suddenly in the lead. Simman also birdied the 15th and, as Lyle said, from there on "I stuck to me like muck to a shovel. I couldn't get away from him."

Lyle might not have escaped at all except for that interloper's childish piece of arrogance beside the second playoff hole. According to witnesses, the perpetrator was egged into his dive by fraternity brothers on a \$250 dare. In the long run, it may cost him more than that.

"I'll do whatever I can to catch him and make an example of him," said PGA four Commissioner Deane Bevan, who had a photo to give police. "People need to know that they have to answer for their actions. Someone who'd do that has no respect for anything or anybody and, I'm sure, has no respect for himself."

If the culprit is lucky, the police will find him before Simman does.

Reluctantly, Vegas Bookmakers Go Back to Work

The Associated Press

LAS VEGAS — With Nevada-Las Vegas eliminated from the NCAA basketball tournament, gamblers were apparently delighted they had a game to bet on Monday night. But despite the late windfall, bookmakers and their employees weren't so happy.

"We were just going to close for the day and tip a few and watch the Rebels," said Don Williams, a supervisor at the Barbary Coast sports book. "Now we have to work."

Bookmakers around the city said they were sorry to see top-ranked UNLV drop out after a 97-93 semifinal loss to Indiana on Saturday, even though it meant they could now take several million dollars in bets on the championship game.

"Everybody feels a little down right now," Sonny Reizner, manager of the Castaways sports book, said. "Everything's a little anticlimactic."

The city's legal sports books reported heavy betting Sunday on the Indiana-Syracuse matchup for the national championship — bets that would never have been placed had UNLV beaten Indiana.

State gaming regulations prohibit betting on the state's amateur teams; had UNLV reached the final one of the year's biggest betting events would have dried up.

But on Saturday the bookies were cheerleaders. "We had 300 to 400 people jammed in here cheering for the Rebels and there wasn't any betting on the game at all," said Jimmy Vaccaro, manager of the Bally's sports book. "I was caught up in the game even though there wasn't a nickel bet on it. I was rooting for the home team."

At the Las Vegas Club, every set was timed to the UNLV-Indiana game. "We had so many people in here cheering that I had complaints from some people that they couldn't see," said owner Mel Exter. "It was a great game. I just wish the score had been different."

Exter said betting on the Syracuse-Indiana final was consistent Sunday, with most bettors favoring Indiana.

He opened the game with Indiana a two-point favorite, but quickly moved the Hoosiers to a four-point favorite as more money came in on Indiana.

SCOREBOARD

Basketball

National Basketball Association Standings

Table with columns for Eastern Conference (Atlantic, Central, Midwest, Pacific Divisions) and Western Conference (Midwest, Pacific Divisions). Includes team names, wins, losses, and percentages.

Hockey

NHL Standings

Table with columns for Wales, Patrick, Adams, and Norris Divisions. Includes team names, wins, losses, and percentages.

Exhibition Baseball

Women's NCAA Final

Table with columns for Louisville Tech and Tennessee. Includes player names, stats, and scores.

Transition

Baseball

Table with columns for American League and National League. Includes team names, wins, losses, and percentages.

Great Day

Jockey Pat Day won two major Kentucky Derby prep races, both at a mile-and-1/16, during the weekend. He took the Jim Beam Stakes at Kentucky's Turfway Park Sunday evening aboard undefeated J.T.'s Pet (above), after winning Saturday's Rebel Stakes at Oaklawn Park in Arkansas with Demons

Begone. The Eclipse Award-winning rider also has the call on Capote, the 1986 juvenile champion, who makes his 1987 debut this weekend in Gotham Stakes at Aqueduct in New York. "It's an exciting dilemma," said Day, who must decide soon which horse he'll ride in the May 2 Derby. "I can't comment further."

INTERNATIONAL CLASSIFIED (Continued from Back Page). Includes sections for ESCORTS & GUIDES, ARISTOCATS, MAYFAIR CLUB, LONDON, LONDON KENSINGTON, LONDON BELGRAVIA, CAPRICE-NY, and ZURICH.

ART BUCHWALD

The Electronic Ministry

WASHINGTON — "Lord, listen to me. This is the Reverend Shorty Beane, broadcasting on Channel 83, from the "Electronic Church of the Tender Walle" in Boosterville, Virginia. This is not a test. I'm up to my cowboy boots in trouble.



Buchwald

"Somebody's trying to take my flock. I suspect it's that garden snake Reverend Jimmy Haggard, the one who takes Master-Card and VISA to heal arthritis sufferers. He wants my ministry so he can use it on any late-night listener. God, I need you to come up with a poison pill defense against this diabolically hostile takeover.

"Lord, don't listen to the stories about me committing a sexual transgression with my secretary in the TV control room. This is just the Devil's blackmail put out by Haggard to hurt my Nielsen ratings. You know and I know there is less than a tank of gas in the "Church of the Tender Walle" than any TV pulpit in the land.

"Haggard is putting out the word that I've sinned in church business administration. He can go to hell. Last year we grossed \$100 million, of which you got two. Sales of my wife Barbie's gospel album have soared through the roof. The condos on the Red Sea Golf Course are finished, the Cain and Abel amusement park is SRO, and we're adding another wing to the 25-story Sodom and Gomorrah Motel.

"Haggard can't come close to our numbers. Ask him how many Sea of Galilee tubs he sold last month. He almost put his church into bankruptcy.

"Lord, we're willing to make any changes you want to cut expenses.

Dollars to Restore 'Are'

PARIS — A multi-million dollar project to restore the Arc de Triomphe, the monument Napoleon put up to glorify his victories, is to be financed partially with American funds, the Culture Ministry announced Monday.

With Cousteau Aboard Calypso

By Phil McCormbs Washington Post Service

WITH Captain Jacques-Yves Cousteau standing on the bridge and the French tricolor flying above, the Calypso of Toulon, perhaps the world's most famous adventure and exploration ship, eased into Peapee harbor in the heart of French Polynesia at 8:30 A.M. on March 11. Cousteau looked at his watch and declared, "On time!"

Then he went out to the flying bridge to smile and wave at the small group of colorfully dressed men, women and children waiting on the dock to greet him.

The Calypso tied up at the French Navy Yard, where Cousteau, who spent nearly three decades in the navy before retiring in 1957, believes the ship will be safe from the hubbub of downtown Peapee, and where the wooden bottom can be scraped, caulked and repainted.

The four-month voyage off New Zealand will be edited into a two-hour television special as part of Cousteau's "Rediscovery of the World" series.

Calypso, with its crew of divers and underwater cameramen, its Hughes 300-C helicopter nicknamed "Felix" and special diving submarine, and its big yellow shark-cage securely lashed to the foredeck, wound up four months of exploration in New Zealand with a trip through the Kermadec Islands, a string of volcanic outcroppings belonging to New Zealand and lying more than 400 nautical miles northeast of the mainland, before sailing to Tahiti.

In the Kermadecs, the final days were filled with turmoil as the divers, photographers and scientists scrambled to cover the new material they found there, and also filled in gaps from previous seasons detailed in lists written by Cousteau in green ink: "multiple dive," "passing down the electrical cable," "all diverge natural," "the legend of the shark and groupers" and "the gag with the mechanics who ask for a reduction in speed... the inter-rogation of returning divers."



Jacques Cousteau, right, consults with the Calypso's captain Albert Falco.

the work of the Calypso crew and other Cousteau employees. Already a staff is at work in Paris on a "peace almanac," similar in format to the 838-page ecology almanac ("An Inventory of Life on Our Water Planet") published by Doubleday in 1981. This is a vast mishmash of material, including essays on hamburgers and paper clips, with an introduction by Cousteau stressing "a self-conscious change" in resources more equitably.

Cousteau almanacs on education and the Third World are also envisioned, he said. At the same time, Cousteau had been working off and on, on a personal book, which he said is a "book of ideas" and not his memoirs. At dinner one night he got talking about the future and gave a sample or two from the book.

"The irony," he said, "is that people will work only an hour a month because of automation, and then spend the rest of their lives trying to repair the damage done by civilization. In my book, I have [a scenario] in which, after all the dangers of the bomb and starvation in the Third World have come to pass, finally, by gene manipulation, we achieve the eternal. People don't age. They die only by accident.

"Then what should they do? They re-create evolution from the beginning! They create a super zoo with every possible mutation as part of a favorable environment, and we get back to where we are now! Finally, they communicate with other intelligent beings who are developing, and they all end up eternal. They decide not to fight anymore — no star wars. There's a big meeting, and it's like

They were devoted to the ship, to getting it into shape, taking inventory, ordering supplies. The divers checked and stored their gear. The scientists packed the samples gathered over several months. On one of the last evenings, the cook prepared a buffet dinner, and it turned into a little party, with Cousteau and Madame playing hosts to the crew. Some of the men wandered out and ate on the afterdeck, watching the sun set over the mountains on the nearby island of Moorea.

Excerpted from a series of three articles.

Rengan Joins in Spoofs At Gridiron Club Dinner

After three hours of spoofs about the Iran-contra affair, President Ronald Reagan got his turn at the Gridiron Club's white-tie dinner. "With the Iran thing occupying everyone's attention, I was thinking, 'You remember the flap when I said, 'We begin bombing in five minutes?' Remember when I fall asleep during my audience with the pope? Remember Bitburg? Boy, those were the good old days.' The confession took place in the statistical setting of the annual Gridiron dinner Saturday. The president and Nancy Reagan were reportedly good sports about lampoons of the president's memory (or lack thereof), the first lady's backstage power plays, the activities of former White House aides John Poindexter, Oliver North and Donald Regan, and Swiss bank accounts. "Nancy and I at one point tried to patch things up. They met privately over lunch. Just the two of them and their food tasters," the president also quipped.

A vast collection of scores, letters, recordings and memorabilia of Arturo Toscanini, valued at about \$2 million, has been acquired by the New York Public Library. Most of the material in the collection is expected to be made available to researchers within months. Separately, Wendy Toscanini Horowitz, the conductor's daughter, is giving the library 38 letters written to her parents by the composer Giacomo Puccini.

Resolving a six-year old dispute with the Louvre, the Cleveland Museum of Art announced yesterday that it had agreed to lend a painting by Nicolas Poussin to the Louvre for periodic exhibitions over the next 25 years. The first will be May 1, 1987, to April 30, 1990. The agreement with the French Ministry of Culture also ended proceedings that were pending against Sherman E. Lee, former director of the Cleveland Museum. The case involved Lee's purchase of the painting, "Holy Family on the Steps," in 1961, despite its having left France without an export license. "Having had spectacularly good relations with French museums for many years, it was sad to see them break," said Dr. Evan Turner, the director of the Cleveland Museum.

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